NORTH EUROPEAN OIL ROYALTY TRUST
Form 10-Q
August 31, 2011

UNITED STATES
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, 2011 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, 2011
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, 2011 AND OCTOBER 31, 2010

(Unaudited)

	2011	2010
ASSETS		
Current assets - - Cash and cash equivalents	$6,631,038	$5,211,965
Producing gas and oil royalty rights, net of amortization (Notes 1 and 2)	1	1
Total Assets	$6,631,039	$5,211,966
LIABILITIES AND TRUST CORPUS		
Current liabilities - - Distributions to be paid to unit owners, paid August 2011 and November 2010	$6,525,319	$5,146,731
Trust corpus (Notes 1 and 2)	1	1
Undistributed earnings	105,719	65,234
Total Liabilities and Trust Corpus	$6,631,039	$5,211,966

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, 2011 AND 2010

(Unaudited)

	2011	2010
German gas, sulfur and oil royalties received	$6,744,676	$4,482,847
Interest income	11,559	2,824
Trust expenses	(189,608)	(169,228)
Net income	$6,566,627	$4,316,443
Net income per unit	$0.71	$0.47
Distributions per unit paid or to be paid to unit owners	$0.71	$0.47

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, 2011 AND 2010

(Unaudited)

	2011	2010
German gas, sulfur and oil royalties received	$19,106,466	$14,303,305
Interest income	15,243	5,282
Trust expenses	(791,950)	(757,152)
Net income	$18,329,759	$13,551,435
Net income per unit	$1.99	$1.47
Distributions per unit paid or to be paid to unit owners	$1.99	$1.48

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

STATEMENTS OF UNDISTRIBUTED EARNINGS (NOTE 1)

FOR THE NINE MONTHS ENDED JULY 31, 2011 AND 2010

(Unaudited)

	2011	2010
Balance, beginning of period	$ 65,234	$ 93,773
Net income	18,329,759	13,551,435
	18,394,993	13,645,208
Less:		
Current year distributions paid or to be paid to unit owners	18,289,274	13,602,073
Balance, end of period	$ 105,719	$ 43,135

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, 2011 AND 2010

(Unaudited)

	2011	2010
Sources of cash and cash equivalents:		
German gas, sulfur and oil royalties	$19,106,466	$14,303,305
Interest income	15,243	5,282
	19,121,709	14,308,587
Uses of cash and cash equivalents:		
Payment of Trust expenses	791,950	757,152
Distributions paid	16,910,686	12,774,920
	17,702,636	13,532,072
Net increase (decrease) in cash and cash equivalents during the period	1,419,073	776,515
Cash and cash equivalents, beginning of period	5,211,965	3,586,197
Cash and cash equivalents, end of period	$ 6,631,038	$ 4,362,712

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") are prepared in accordance with the rules and regulations of the SEC. Financial statement balances and financial results are presented 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.

The results of any interim period are not necessarily indicative of the results to be expected for the fiscal year. 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 year ended October 31, 2010. The Statements of Assets, Liabilities and Trust Corpus included herein contain information from the Trust's 2010 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 investment options available to the Trust are limited in accordance with specific provisions of the Trust Agreement. As of July 31, 2011, the uninsured amounts held in the Trust's U.S. bank accounts were approximately $6,273,538. The Trust maintained a minimal balance in its German account at July 31, 2011.

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, 2011 and 2010, there were 9,190,590 units of beneficial interest outstanding.

New accounting pronouncements -

The Trust is not aware of any recently issued, but not yet effective, accounting standards that would be expected to have a significant impact on the Trust's financial position or results of operations.

(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 Exxon Mobil 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 $7,699 and $6,371 in the third quarter of fiscal 2011 and 2010, respectively. For such office space and office services, the Trust reimbursed the Managing Director $17,953 and $18,443 in the first nine months of fiscal 2011 and 2010, respectively.

Lawrence A. Kobrin, a Trustee of the Trust, is a Senior Counsel at Cahill Gordon & Reindel LLP which serves as counsel to the Trust. For the third quarter of fiscal 2011 and 2010, the Trust paid Cahill Gordon & Reindel LLP $8,869 and $15,660 for legal services, respectively. For the first nine months of fiscal 2011 and 2010, the Trust paid Cahill Gordon & Reindel LLP $63,063 and $81,033 for legal services, respectively.

(4) Employee Benefit Plan:

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 2010 and 2011 calendar years.

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. 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.

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 Exxon Mobil Corp. ("Exxon Mobil"), or by Oldenburgische Erdolgesellschaft ("OEG"). 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 Grand Duchy of Oldenburg and is located in the German federal state of Lower Saxony.

In 2002, Mobil Erdgas and BEB Erdgas und Erdol GmbH ("BEB"), a joint venture of Exxon Mobil and the Royal Dutch/Shell Group of Companies, formed a company, ExxonMobil Production Deutschland GmbH ("EMPG"), a unified exploration and production venture, 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 provided approximately 93.54% of the total royalties in the quarter just ended. 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.

Effective with the Trust's third quarter of fiscal 2010, a new royalty payment schedule was fully implemented. At approximately the 25th of the months of January, April, July and October, the operating companies calculate the amount of gas sold during the previous calendar quarter and determine the amount of royalties that were payable to the Trust based on those sales. This amount forms the basis for royalty payments for the Trust's upcoming fiscal quarter and for any adjustment for the prior calendar quarter. For example, on January 25th the operating companies calculate gas sales and attributable royalties payable for the months of October through December. This amount is divided into thirds and forms the monthly royalty payments (payable on the 15th of each month) to the Trust for its fiscal quarter running from February through April. As part of these same calculations on January 25th, the operating companies determine any difference between the amount of royalties payable and the amount of royalties paid for the months of October through December. Any underpayment of royalties would be made immediately after the calculation. Any overpayment of royalties would be deducted from the Trust's February royalty payment. The operating companies continue their calculations through the calendar year. In September of each year, the operating companies make the final determination of any necessary royalty adjustments for the prior calendar year. The Trust's German accountants review the royalty calculations on a biennial basis, with the next examination scheduled to begin in October 2011 covering calendar years 2009 and 2010.

There are two types of natural gas found within the Oldenburg concession, sweet gas and sour gas. Sweet gas has little or no contaminants and 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 Norddeutsche Erdgas-Aufbereitungs GmbH ("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 (as compared to the OEG Agreement described below) 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 received no sulfur royalties under the Mobil Agreement in the first or second quarter of fiscal 2010 or the first quarter of fiscal 2011. However, upon review, Mobil Erdgas determined that sulfur prices exceeded the threshold level since the third quarter of fiscal 2010 and, accordingly, it should have paid sulfur royalties to the Trust for these periods. In the second quarter of fiscal 2011, the Trust received a make-up payment of $156,337 for the third and fourth quarters of fiscal 2010 as well as a payment of $161,723 for the first quarter of fiscal 2011. The Trust was entitled to receive a sulfur royalty payment during the quarter just ended. However, since there was an unadjusted overpayment of royalties by Mobil-Erdgas, the sulfur payment instead was applied against that overpayment by EMPG.

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. As part of its normal biennial examination of the operating companies, the Trust's German accountants completed their examination of the royalty payments for 2007-08. While the pipeline sale occurred in the latter half of 2008, the accountants confirmed that transportation costs continued in accordance with the authorized indexed flat rate throughout this period and that the method of royalty calculation has not been affected. The Trust will continue to monitor the situation.

EMPG has indicated that it will be conducting scheduled maintenance work at the Grossenkneten desulfurization plant during the period from August 30 to September 30, 2011. This will reduce sour gas processing during this period by approximately one third while the maintenance is being conducted. Since sweet gas wells are traditionally not in production during the low demand summer period, the impact is an overall production decline of approximately one third.

Intermittently, the Trust receives small amounts of royalties from a private lease area, Grosses Meer, outside the Oldenburg concession. During the third quarter of fiscal 2010, the Trust received $61,676 in royalties from Grosses-Meer. No royalties based on gas sales from Grosses Meer were received in the first or second quarters of fiscal 2010 and no such royalties have been received since the third quarter of fiscal 2010.

Under the Mobil and OEG Agreements, 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. Because 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 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 examines 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 dollar 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. In relation to the dollar, a stronger Euro would yield more dollars and a weaker Euro would yield less dollars. The long-term impact relates to the mechanism of gas pricing contained in the gas sales contracts negotiated by the operating companies. These gas sales contracts often use the price of German light heating oil as one of the primary pricing factors by which the price of gas is determined. The price of German light heating oil, which is a refined product, is largely determined by the price of the imported crude oil from which it was refined. Oil on the international market is priced in dollars. However, when oil is imported into Germany it is purchased in Euros, and at this point the dollar value of the Euro becomes relevant. A weaker Euro would buy less oil making that oil and the subsequently refined light heating oil more expensive. A stronger Euro would buy more oil making that oil and the subsequently refined light heating oil less expensive. Since changes in the price of German light heating oil are subsequently reflected in the price of gas through the gas sales contracts, the dollar/Euro relationship can make the prices of gas higher or lower. The changes in gas prices that result from changes in the prices of German light heating oil are only reflected after a built-in delay of three to six months as specified in the individual gas sales contracts.

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 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. The Trust's consultant receives reports from EMPG with respect to current and planned drilling and exploration efforts. However, EMPG continues to limit the information flow to that which is required by German law.

The low level of administrative expenses of the Trust limits the effect of inflation on its financial prospects. Sustained price inflation, which would be reflected in sales prices, along 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.

Results: Third Quarter Fiscal 2011 Versus Third Quarter Fiscal 2010

For the third quarter of fiscal 2011, the Trust's net income was $6,566,627, an increase of 52.13% from the net income of $4,316,443 for the third quarter of fiscal 2010. Gross royalties received for the third quarter of fiscal 2011 were $6,744,676, an increase of 50.46% as compared to $4,482,847 for the third quarter of fiscal 2010. 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 2011. A distribution of 71 cents per unit has been paid on August 31, 2011 to owners of record as of August 12, 2011.

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 increase in royalty income under both the Mobil and OEG Agreements in the third quarter of fiscal 2011 was due to significantly higher gas prices and higher average Euro/dollar exchange rates. The combination of these two factors more than offset a decline in gas sales.

Mobil Agreement	3rd Fiscal Qtr. Ended 7/31/2011	3rd Fiscal Qtr. Ended 7/31/2010	Percentage Change
Gas Sales (Bcf)	10.671	11.770	- 9.34%
Gas Prices (Ecents/Kwh)	2.3838	1.9666	+ 21.21%
Gas Prices ($/Mcf)	$ 9.64	$ 7.08	+ 36.16%
Average Euro Exchange Rate	1.4091	1.2522	+ 12.53%
OEG Agreement			
Gas Sales (Bcf)	29.595	30.131	- 1.78%
Gas Prices (Ecents/Kwh)	2.5379	2.1186	+ 19.79%
Gas Prices ($/Mcf)	$10.05	$ 7.49	+ 34.18%
Average Euro Exchange Rate	1.4148	1.2596	+ 12.32%

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 36.06% of all gas sales. However, royalties on these gas sales provided approximately 80.17% or $5,057,732 out of a total of $6,308,812 in Oldenburg royalties attributable to gas.

Per the terms of the Trust Agreement, excess funds temporarily held by the Trust are held in a money market account or are invested in certificates of deposit or U.S. Treasury Bills. For the quarter just ended, Trust interest income remained at a relatively minor level due to the low interest rates applicable during the period. Trust expenses for the third quarter of fiscal 2011 increased 12.04% or $20,380 to $189,608 in comparison to the prior year's equivalent period. This increase in expenses is due to higher Trustee fees (which, as specified in provisions in the Trust Agreement, change as a result of fluctuations in gross royalty income).

The current Statement of Assets, Liabilities and Trust Corpus of the Trust at July 31, 2011, compared to that at fiscal year-end (October 31, 2010), shows an increase in assets due to higher royalty receipts during the third quarter of fiscal 2011.

Results: First Nine Months of Fiscal 2011 Versus First Nine Months of Fiscal 2010

For the nine month period, the Trust's net income was $18,329,759, an increase of 35.26% from the net income of $13,551,435 for the first nine months of fiscal 2010. Gross royalties received for the first nine months of fiscal 2011 were $19,106,466, an increase of 33.58% as compared to $14,303,305

for the first nine months of fiscal 2010. 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 2010 and the first two calendar quarters of 2011. For the nine month periods ended July 31, 2011 and 2010, total distributions were equal to $1.99 and $1.48 per unit, respectively.

The primary factor affecting royalty revenue for the first nine months of fiscal 2011 was the substantial increase in gas prices under both the Mobil and OEG Agreements. For the first nine months of fiscal 2011, the average Euro/dollar exchange rate was up slightly and gas sales declined slightly compared to the first nine months of fiscal 2010.

Mobil Agreement	Nine Months Ended 7/31/2011	Nine Months Ended 7/31/2010	Percentage Change
Gas Sales (Bcf)	33.434	34.963	- 4.37%
Gas Prices (Ecents/Kwh)	2.4221	1.8384	+ 31.75%
Gas Prices ($/Mcf)	$ 9.61	$ 7.13	+ 34.78%
Average Euro Exchange Rate	1.3820	1.3479	+ 2.53%
OEG Agreement			
Gas Sales (Bcf)	89.905	90.831	- 1.02%
Gas Prices (Ecents/Kwh)	2.5873	2.0391	+ 26.88%
Gas Prices ($/Mcf)	$10.04	$ 7.68	+ 30.73%
Average Euro Exchange Rate	1.3858	1.3439	+ 3.12%

For the nine months just ended, gas sales from western Oldenburg accounted for only 37.19% of all gas sales. However, royalties on these gas sales provided approximately 80.73% or $14,455,112 out of a total of $17,904,846 in Oldenburg royalties attributable to gas.

Interest income was higher reflecting the increased funds and a higher interest rate available for investment. Interest income for the nine month period of fiscal 2011 increased 188.58% to $15,243 from $5,282 in the first nine month period of fiscal 2010. Trust expenses for the nine month period of fiscal 2011 increased 4.60% or $34,798 to $791,950 in comparison to $757,152 for the prior fiscal year's equivalent period. The increase in expenses resulted primarily from a shift in the timing of accounting expenses, increased German legal expenses relating to issues raised in the royalty examination and higher Trustee fees (which, as specified in provisions in the Trust Agreement, change as a result of fluctuations in gross royalty income).

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 future drilling and development plans, 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, 2010. 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 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 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, 2011. Based on that evaluation, the Managing Director concluded that the Trust's disclosure controls and procedures were effective as of July 31, 2011.

There have been no changes in the Trust's internal control over financial reporting identified in connection with the evaluation described above that occurred during the third quarter of fiscal 2011 that have materially affected or are reasonably likely to materially affect the Trust's internal control over financial reporting.

PART II -- OTHER INFORMATION

Item 6. Exhibits.

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

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

SIGNATURE

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

NORTH EUROPEAN OIL ROYALTY TRUST
(Registrant)

/s/ John R. Van Kirk

John R. Van Kirk
Managing Director

Dated: August 31, 2011