



09002535

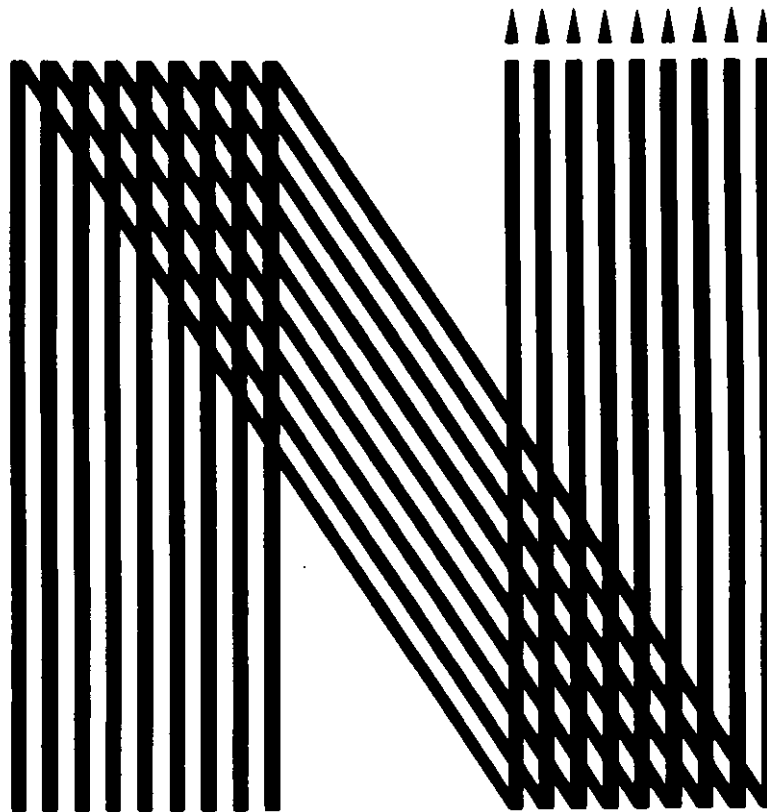
Annual Report 2008

Received SEC

JAN 16 2009

Washington, DC 20549

**North
European
Oil
Royalty
Trust**



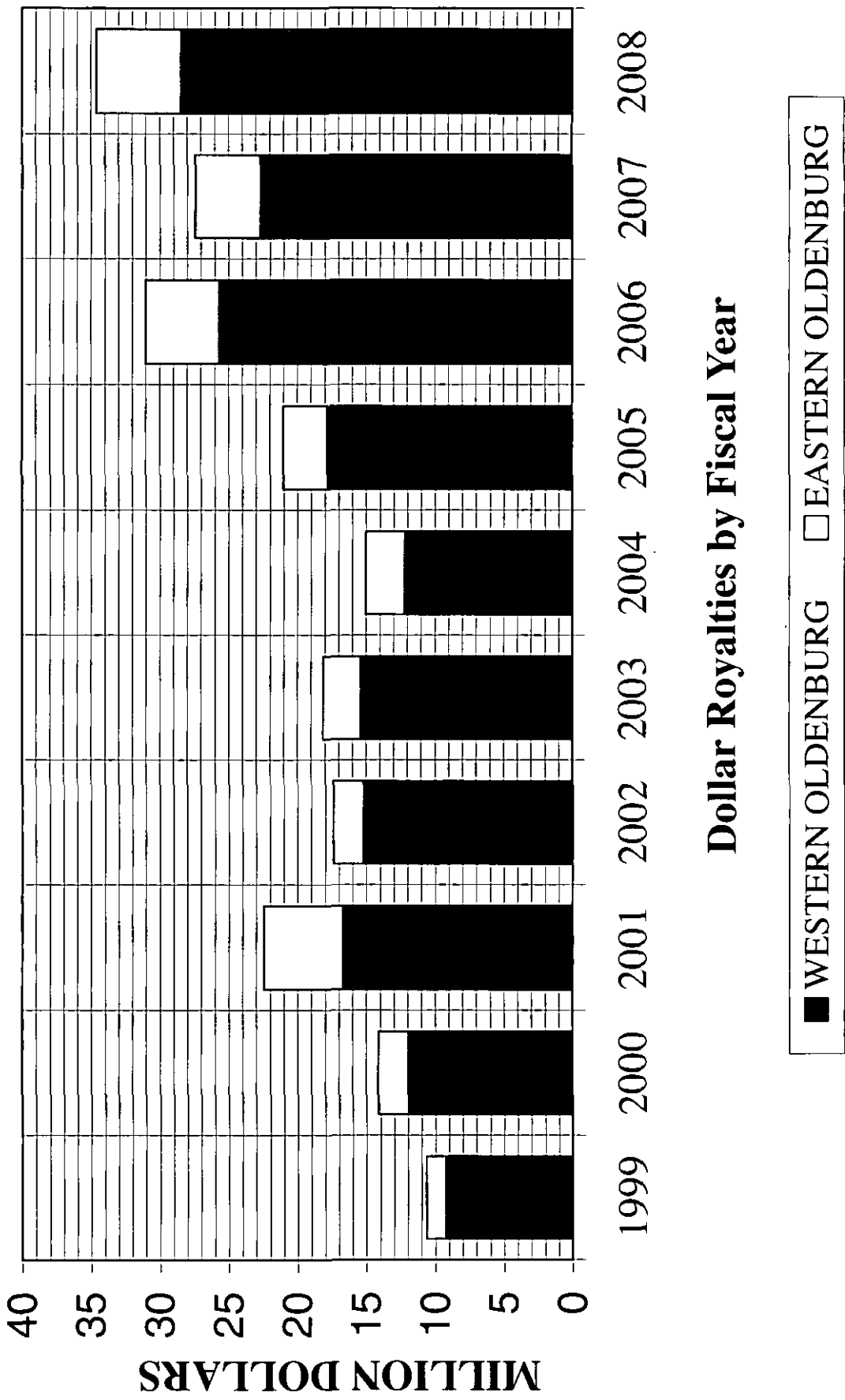
PROCESSED

JAN 29 2009

THOMSON REUTERS

**ATTENTION:
PLEASE RETAIN
CRITICAL TAX INFORMATION ENCLOSED**

**DOLLAR ROYALTIES
WESTERN AND EASTERN OLDENBURG**



The Annual Meeting of Unit Owners will be held on Wednesday, February 10, 2009, at 1:00 P.M., in Rooms 3 and 4, Ninth Floor, at The University Club, 1 West 54th Street, New York City (northwest corner of 5th Avenue; entrance on 54th Street). All unit owners are cordially invited to attend.

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

Table of Contents

Report to Unit Owners	2-3
Ten Year History of Net Gas Sales	4
Net Proved Producing Gas Reserves (Est.) and Volume of Net Gas Sales	5
Selected Financial Data	6
Description of Trust Assets	7-8
Management's Discussion and Analysis	8-13
Critical Accounting Policies	14
Distributions and Trading	14-15
Comparison of Five Year Returns	16
Report of Independent Registered Public Accounting Firm	17
Financial Statements.	18-21
Notes to Financial Statements	22-24
Disclosure Controls and Procedures	25
Internal Control Over Financial Reporting	25-26
Note to Unit Owners (Removable)	27-28

SEC
Mail Processing
Section

JAN 16 2009

Washington, DC
101

IMPORTANT TAX INFORMATION

For your convenience the information necessary to prepare your 2008 tax return is included in the removable "Note to Unit Owners" on Pages 27 and 28.

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

NORTH EUROPEAN OIL ROYALTY TRUST

Report to Unit Owners:

FOURTH QUARTER 2008

Net income for the Trust for the fourth quarter of fiscal 2008 was \$9,409,548, an increase of 59.98% from net income of \$5,881,537 for the fourth quarter of fiscal 2007. Significantly higher average gas prices more than offset both lower gas sales and lower average exchange rates under both royalty agreements and resulted in the increase in royalty income for the quarter. The relevant details for the final quarter of fiscal 2008 for gas sales under the higher royalty rate agreement covering western Oldenburg (the "Mobil Agreement") and gas sales under the lower royalty rate agreement covering the entire Oldenburg concession (the "OEG Agreement") are shown in the table below.

	Fourth Fiscal Qtr. Ended 10/31/08	Fourth Fiscal Qtr. Ended 10/31/07	Percentage Change
Mobil Agreement:			
Gas Sales (Bcf ¹)	13.545	14.792	- 8.43%
Gas Prices (Ecents/Kwh ²)	2.7510	1.6366	+68.09%
Gas Prices (\$/Mcf ³)	\$11.03	\$ 6.59	+67.37%
Average Exchange Rate ⁴	\$1.3985	\$1.4004	- 0.14%
OEG Agreement:			
Gas Sales (Bcf)	33.170	36.260	- 8.52%
Gas Prices (Ecents/Kwh)	2.9060	1.9568	+48.51%
Gas Prices (\$/Mcf)	\$10.96	\$ 7.73	+41.79%
Average Exchange Rate	\$1.3480	\$1.4042	- 4.00%

¹Billion cubic feet

³Dollars per thousand cubic feet

²Euro cents per Kilowatt hour

⁴Based on average exchange rates of royalty transfers

FISCAL 2008 REPORT

For fiscal 2008, the Trust's gross royalty income increased 26.05% to \$34,645,159 from \$27,484,254 in fiscal 2007. Increases in both gas prices and average exchange rates more than offset the decline in gas sales and resulted in the higher levels of royalty income and higher distributions. Complete details regarding gas prices, sales and average exchange rates on a quarterly and yearly basis for both the Mobil and OEG Agreements are shown on pages 9-11.

Worldwide oil prices in 2008 recorded an unprecedented rise and fall. After peaking in early summer at a level in excess of \$140 per barrel, prices have since fallen to a level not experienced in many years. In the latter part of 2008, gas prices, on the basis of which the Trust receives its royalties, continued to rise despite the decline in oil prices because of the delay factor built into the escalation clauses contained in the gas sales contracts. While the linkages between oil and gas prices continue, Germany continues to import substantial quantities of gas. The pricing of imported gas and its impact on domestic German gas prices are subject to factors beyond simple supply and demand. The future impact of the decline in oil prices on Trust royalties is difficult to predict.

The Trust's German consultant meets periodically with representatives of the operating companies to inquire about their planned and proposed drilling and geophysical work and other

NORTH EUROPEAN OIL ROYALTY TRUST

general matters. The following is a summary of his account of the operating companies' responses to his inquiries. The Trust is not able to confirm the accuracy of any of these responses and the operating companies are not required to take any of the actions outlined or inform the Trust of any changes in their plans. It is possible that the recent drop in world oil prices and other economic factors may have an impact on the operating companies' plans.

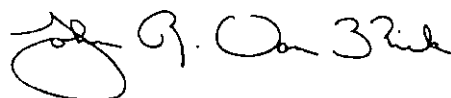
Goldenstedt Z-7a, which is the second well to explore the Carboniferous zone in eastern Oldenburg, completed re-drilling in July 2008. Since the Carboniferous zone is considered a "tight" gas zone, seven individual hydraulic fracturing ("frac") treatments had been planned. The start of production is scheduled for December 2008. Varnhorn Z-7a, which is the third well to explore the Carboniferous zone in eastern Oldenburg, began drilling in August 2008. This well will be horizontally deviated out of an existing borehole. Once drilling is complete, six individual frac treatments are planned. Quaadmoor Z-5 is scheduled to begin drilling in December 2008 to explore the Zechstein (sour gas) formation. Generally, sour gas wells undergo acidizing treatments to improve the gas flow to the wellhead. Goldenstedt Z-10 will be the fourth well to explore the Carboniferous zone in eastern Oldenburg and is scheduled to begin drilling in March 2009. This well is located close to Goldenstedt Z-7a and is intended to explore a separate compartment of the Carboniferous reservoir. Goldenstedt Z-23 will be the fifth well to explore the Carboniferous zone in eastern Oldenburg. It is scheduled to begin drilling around May or June of 2009, and will be followed by five individual frac treatments.

Hemmelte NW T-1 will be located in the western part of Oldenburg and is an exploratory well intended to develop the Bunter (sweet gas) zone. While the start of drilling is scheduled for mid 2009, the well plans have not been confirmed as yet. The following wells, Goldenstedt Z-16a, Visbek Z-16a, Sage Z-5, Brinkholz Z-5 and Cappeln Z-6, are either tentatively scheduled for the latter half of 2009 and beyond or not yet scheduled. The first four will explore the Zechstein zone and the final well is the sixth well scheduled to explore the Carboniferous zone.

Based on the limited information available, Ralph E. Davis Associates, Inc., the Trust's petroleum consultant ("Davis Associates"), has prepared and submitted their report on the cost depletion percentage applicable to Trust unit owners for calendar 2008. The 2008 cost depletion percentage of 8.1211% and related tax information is contained in the removable "Note to Unit Owners" on pages 27 and 28 of this report. The calculation of the cost depletion percentage is based on Davis Associates' estimate of remaining net proved producing reserves as of October 1, 2008. (The complete text of the report is available in the Trust's 2008 10-K as exhibit 99.1.) The report indicates that net Trust gas reserves decreased 12.83% to 33.347 Bcf from 38.254 Bcf on net sales for 2008 of 2.975 Bcf and a negative reserve adjustment of 1.925 Bcf. As shown in the tables on pages 4 and 5, the efforts by the operating companies have not been entirely successful in replacing current gas sales with additions to proved producing reserves. The installation of compressors in 2005 provided a short-term boost both to reserves and sales. However, since 2006, gas sales and reserves have declined. The degree to which the additional drilling that is planned will boost sales and increase reserves is unknown.

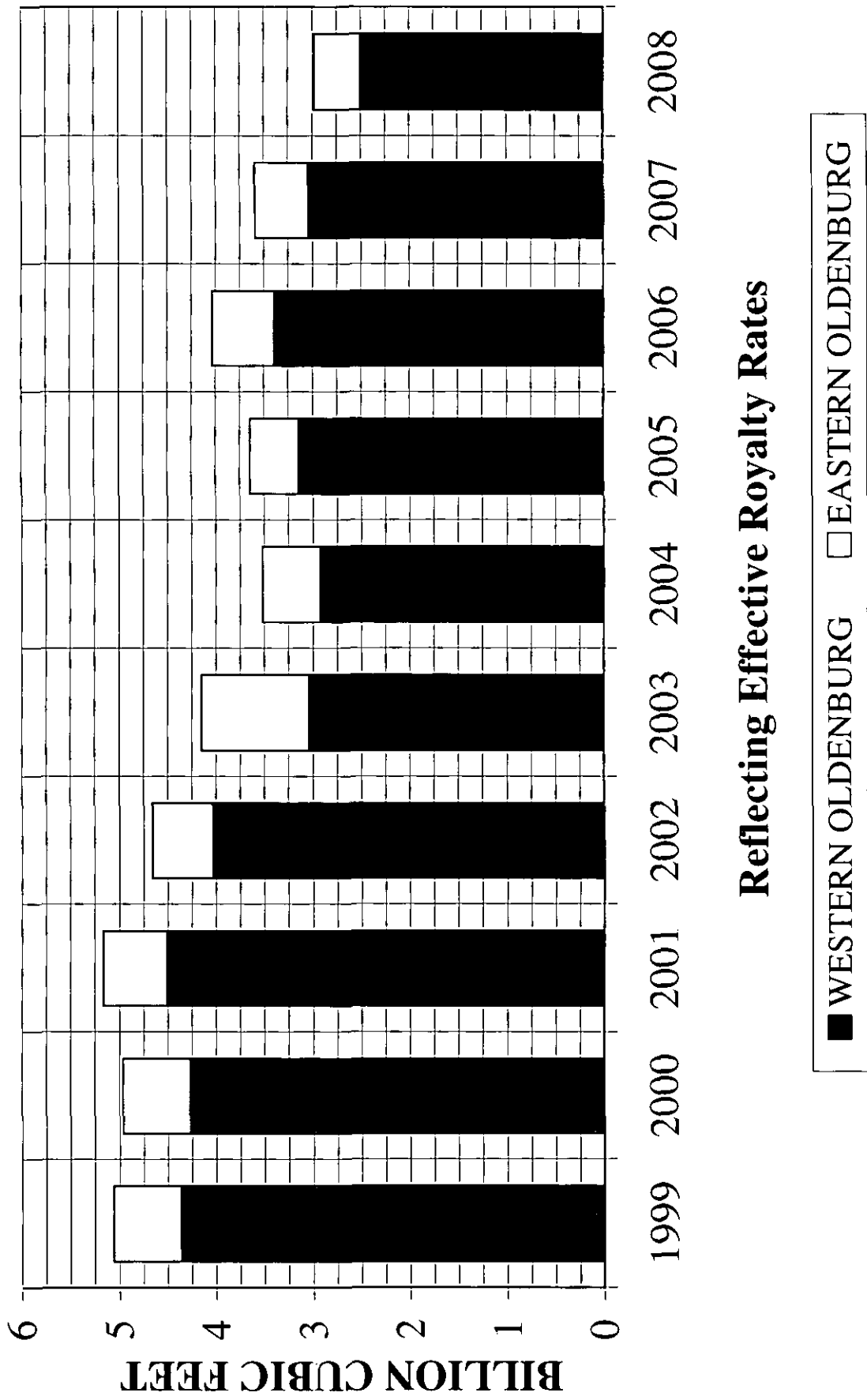
December 29, 2008

Respectfully submitted,



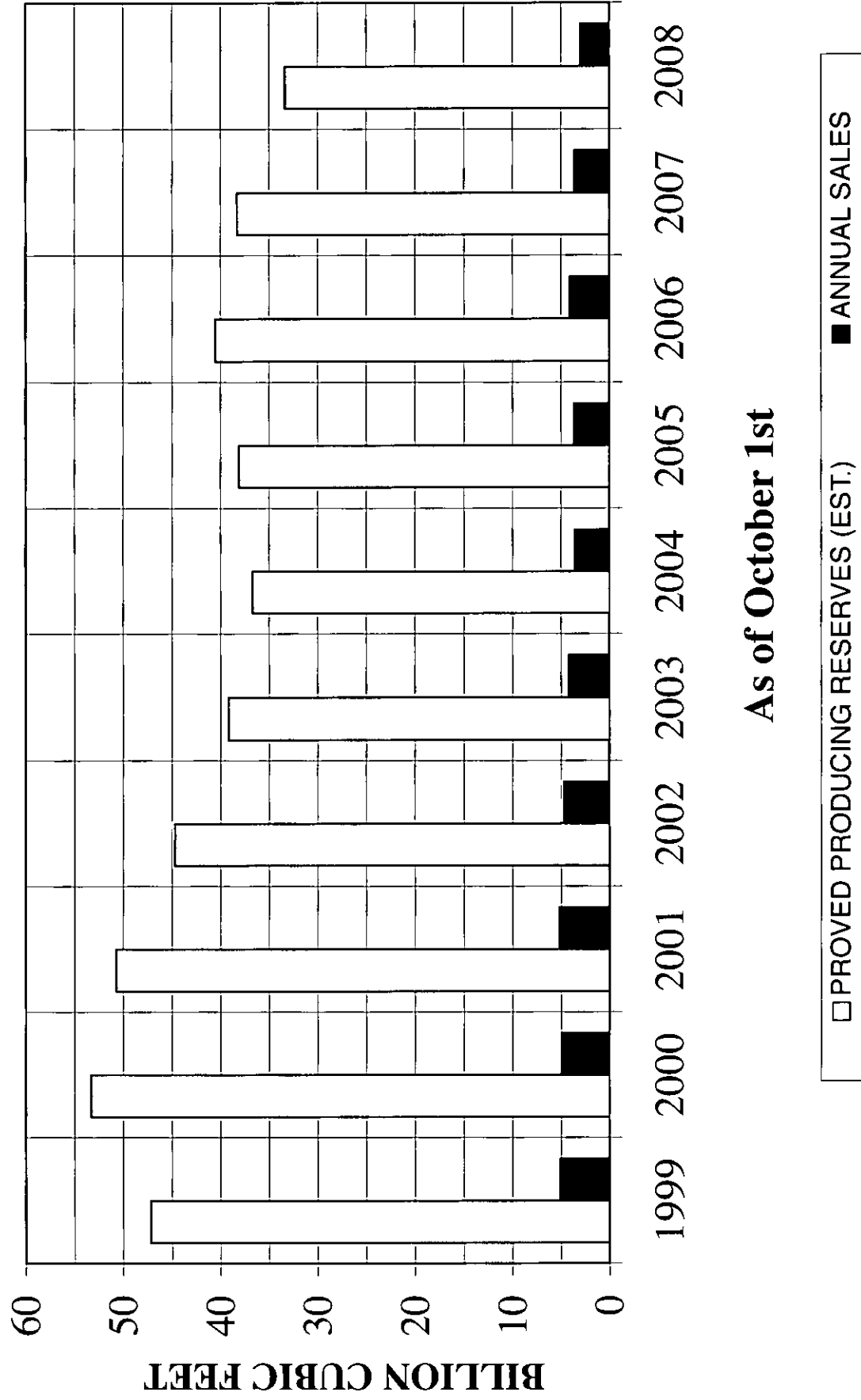
John R. Van Kirk
Managing Director

TEN YEAR HISTORY OF NET GAS SALES



Reflecting Effective Royalty Rates

NET PROVED PRODUCING GAS RESERVES (EST.) AND VOLUME OF NET GAS SALES



North European Oil Royalty Trust	2008	2007	2006	2005	2004
Selected Financial Data (Cash Basis)					
For Fiscal Years Ended October 31					

German royalties received	\$34,645,159	\$27,484,254	\$31,079,122	\$21,085,039	\$15,061,209
Interest income	95,802	207,932	164,021	59,353	21,970
Trust expenses	(1,075,823)	(952,517)	(984,199)	(921,578)	(775,521)
Net income	<u>\$33,665,138</u>	<u>\$26,739,669</u>	<u>\$30,258,944</u>	<u>\$20,222,814</u>	<u>\$14,307,658</u>
Net income per unit	<u>\$ 3.66</u>	<u>\$ 2.91</u>	<u>\$ 3.29</u>	<u>\$ 2.20</u>	<u>\$ 1.60</u>
Dividends and distributions per unit paid to formerly unlocated unit owners	.00	.00	.02	.02	.01
Distributions per unit paid or to be paid to unit owners	<u>\$3.66</u> <u>\$3.66</u>	<u>\$2.91</u> <u>\$2.91</u>	<u>\$3.28</u> <u>\$3.30</u>	<u>\$2.22</u> <u>\$2.24</u>	<u>\$1.59</u> <u>\$1.60</u>
Units outstanding end of period	9,190,590	9,190,590	9,190,590	9,180,876	8,933,310
Registered unit owners	1,089	1,116	1,174	1,254	1,295

NORTH EUROPEAN OIL ROYALTY TRUST

Description of Trust Assets

The properties of the Trust, which the Trust and Trustees hold pursuant to the Trust Agreement on behalf of the unit owners, are overriding royalty rights on sales of gas, sulfur and oil under certain concessions or leases in the Federal Republic of Germany. The actual leases or concessions are held either by Mobil Erdgas-Erdol GmbH ("Mobil Erdgas"), a German operating subsidiary of Exxon Mobil, or by Oldenburgische Erdolgesellschaft ("OEG"). As a result of direct and indirect ownership, Exxon Mobil 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, provides nearly 100% of the royalties received by the Trust. BEB Erdgas und Erdol GmbH ("BEB"), a joint venture in which Exxon Mobil and the Royal Dutch/Shell Group each own 50%, administers the concession held by OEG. In 2002, Mobil Erdgas and BEB formed Exxon Mobil Production Deutschland GmbH ("EMPG") to carry out all exploration, drilling and production activities. All sales activities are still handled by either Mobil Erdgas or BEB.

Under the Mobil Agreement covering the western part of the Oldenburg concession (approximately 662,000 acres), the Trust receives a royalty payment of 4% on gross receipts from sales by Mobil Erdgas of gas well gas, oil well gas, crude oil and condensate. Under the 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 (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. When the average selling price falls below the indexed base price, no royalties are payable. Up until the second quarter of fiscal 2008, the Trust had not received any royalties from sulfur sales under the Mobil Agreement for over 10 years because the selling price was below the indexed base price. However, from that point forward, the average selling price for sulfur again exceeded the indexed base price and the payment of sulfur royalties under the Mobil Agreement resumed. Sulfur prices may or may not remain above the indexed base price.

Under the OEG Agreement covering the entire Oldenburg concession (approximately 1,398,000 acres), 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 for state royalty purposes is deducted from the gross sales receipts prior to the calculation of the royalty to be paid to the Trust. NV Nederlandse Gasunie (the state owned Dutch gas distribution company) has completed the purchase of BEB's North German gas distribution and transmission network. Preliminary informal discussions with OEG personnel indicate that the pipeline sale should not affect the method of royalty calculation. The Trust is seeking a formal confirmation that the sale will not affect the method of royalty calculation.

In addition to the Oldenburg area, 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

NORTH EUROPEAN OIL ROYALTY TRUST

Description of Trust Assets *(continued)*

intermittent gas production from the single producing lease, Grosses Meer, reserves from this lease are not included in reserve calculations for this report year. In addition, the German authorities have requested that the operating companies conduct a reservoir analysis at Grosses Meer to determine whether the royalties are being properly allocated based on the locations of the gas reserves. Until such time as this issue is settled, the payment of royalties from Grosses Meer has been suspended. Before the payment of royalties from the Grosses Meer lease was suspended, the Trust had received \$79,348 and \$37,612 in fiscal 2007 and fiscal 2008, respectively.

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.

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. Since Germany must import a large percentage of its energy requirements, the U.S. dollar price of oil on the international market has a significant impact on the price of light heating oil and a delayed impact on the price of gas. The Trust itself does not have access to the specific sales contracts under which gas from the Oldenburg concession is sold. Working under a confidentiality agreement with the operating companies, the Trust's German auditor reviews these contracts periodically on behalf of the Trust to verify the correctness of application of the Agreement formulas for the computation of royalty payments.

For unit owners, changes in the value of the Euro have both an immediate and long-term impact. The immediate impact is from the exchange rate that is applied at the time the royalties, paid to the Trust in Euros, are converted into 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.

NORTH EUROPEAN OIL ROYALTY TRUST

Executive Summary *(continued)*

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, 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.

Results: Fiscal 2008 versus Fiscal 2007

For fiscal 2008, the Trust's gross royalty income increased 26.05% to \$34,645,159 from \$27,484,254 in fiscal 2007. The increase in average gas prices along with the impact of a higher average exchange rate more than offset the decline in gas sales and combined to increase the amount of royalty income, which resulted in the higher distributions.

Under the Mobil Agreement, gas sales decreased 17.52% to 54.114 Bcf in fiscal 2008 from 65.606 Bcf in fiscal 2007. The continuing decline in western Oldenburg gas sales can most likely be accounted for by a drop in overall wellhead pressures that could not be offset by the additional wells added. In addition, the gas located in western Oldenburg is almost exclusively sour gas, which must be processed to have the hydrogen sulfide removed. As a consequence, the larger decline in the third quarter can be accounted for at least partially by a shutdown of the Grossenkneten desulfurization plant. This shutdown occurred in the third quarter of fiscal 2008 but there was no shutdown during fiscal 2007.

Quarterly and Yearly Gas Sales under the Mobil Agreement in Billion cubic feet

Fiscal Quarter	2008 Gas Sales	2007 Gas Sales	Percentage Change
First	14.251	17.512	-18.62%
Second	14.004	17.125	-18.22%
Third	12.314	16.177	-23.88%
Fourth	13.545	14.792	-8.43%
Fiscal Year Total	54.114	65.606	-17.52%

NORTH EUROPEAN OIL ROYALTY TRUST

Results: Fiscal 2008 versus Fiscal 2007 *(continued)*

Average gas prices for gas sold under the Mobil Agreement increased 28.01% to 2.3922 Ecents/Kwh in fiscal 2008 from 1.8688 Ecents/Kwh in fiscal 2007. For fiscal 2008, the increase in worldwide oil prices pushed average gas prices higher as we progressed through the year.

Average Gas Prices under the Mobil Agreement in Euro cents per Kilowatt hour

Fiscal Quarter	2008 Gas Prices	2007 Gas Prices	Percentage Change
First	2.0876	2.2673	-7.93%
Second	2.2876	1.9950	14.67%
Third	2.4704	1.5159	62.97%
Fourth	2.7510	1.6366	68.09%
Fiscal Year Avg.	2.3922	1.8688	28.01%

Converting gas prices into more familiar terms using the average exchange rate yielded a price of \$10.24/Mcf, a 42.02% increase over fiscal 2007's average price of \$7.21/Mcf. For fiscal 2008, royalties paid under the Mobil Agreement were transferred at an average Euro exchange rate of \$1.4883, an increase of 10.94% from the average Euro exchange rate of \$1.3415 for fiscal 2007.

Excluding 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 fiscal 2008, gas sales from western Oldenburg accounted for only 40.81% of all gas sales. However, royalties on these gas sales provided approximately 83.31% or \$26,617,819 out of a total of \$31,948,697 in Oldenburg royalties attributable to gas.

In addition, as of the second quarter of fiscal 2008, the indexed base price of sulfur sold under the Mobil Agreement exceeded the threshold level and the payment of royalties attributable to sulfur sales resumed. During fiscal 2008, the Trust received \$974,691 in sulfur royalties under this agreement.

NORTH EUROPEAN OIL ROYALTY TRUST

Results: Fiscal 2008 versus Fiscal 2007 *(continued)*

Under the OEG Agreement, gas sales decreased 15.39% to 132.611 Bcf in fiscal 2008 from 156.736 Bcf in fiscal 2007. The continuing decline in concession-wide gas sales can most likely be accounted for by a drop in overall wellhead pressures that could not be offset by the additional wells added.

Quarterly and Yearly Gas Sales under the OEG Agreement in Billion cubic feet

Fiscal Quarter	2008 Gas Sales	2007 Gas Sales	Percentage Change
First	34.716	41.976	-17.30%
Second	33.680	40.518	-16.88%
Third	31.045	37.982	-18.26%
Fourth	33.170	36.260	-8.52%
Fiscal Year Total	132.611	156.736	-15.39%

Average gas prices for gas sold under the OEG Agreement increased 16.79% to 2.5066 Ecents/Kwh in fiscal 2008 from 2.1463 Ecents/Kwh in fiscal 2007. For fiscal 2008, the increase in worldwide oil prices pushed average gas prices higher as we progressed through the year.

Average Gas Prices under the OEG Agreement in Euro cents per Kilowatt hour

Fiscal Quarter	2008 Gas Prices	2007 Gas Prices	Percentage Change
First	2.1921	2.4017	-8.73%
Second	2.3809	2.3038	3.35%
Third	2.5699	1.8774	36.89%
Fourth	2.9060	1.9568	48.50%
Fiscal Year Avg.	2.5066	2.1463	16.79%

Converting gas prices into more familiar terms using the average exchange rate yielded a price of \$10.39/Mcf, a 28.59% increase over fiscal 2007's average price of \$8.08/Mcf. For fiscal 2008, royalties paid under the OEG Agreement were transferred at an average Euro exchange rate of \$1.4762, an increase of 10.09% from the average Euro exchange rate of \$1.3409 for fiscal 2007.

Reflecting the significant drop in interest rates and despite the increase in cash available for short term investment, interest income for fiscal 2008 was substantially lower, decreasing 53.93% to \$95,802 for fiscal 2008 from \$207,932 for fiscal 2007. Trust expenses increased 12.95% to \$1,075,823 in fiscal 2008 from \$952,517 in fiscal 2007, largely due to higher costs related to the biennial examination of the German operating companies' royalty payments, various legal matters related thereto and higher Trustees' fees based on the formula specified in the Trust Agreement.

NORTH EUROPEAN OIL ROYALTY TRUST

Results: Fiscal 2007 versus Fiscal 2006

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 Bcf in fiscal 2007 from 73.282 Bcf in fiscal 2006. Weather was a significant factor during fiscal 2007, reducing overall demand across Germany and Europe in general.

Quarterly and Yearly Gas Sales under the Mobil Agreement in Billion cubic feet

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

Average gas prices for gas sold under the Mobil Agreement decreased 11.76% to 1.8688 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 in Euro cents per Kilowatt hour

Fiscal Quarter	2007 Gas Prices	2006 Gas Prices	Percentage Change
First	2.2673	2.0456	10.84%
Second	1.9950	2.2743	-12.28%
Third	1.5159	2.0417	-25.75%
Fourth	1.6366	2.1046	-22.23%
Fiscal Year Avg.	1.8688	2.1178	-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, royalties paid under the Mobil Agreement were transferred at an average Euro exchange rate of \$1.3415, an increase of 8.95% from the average Euro exchange rate of \$1.2313 for fiscal 2006.

NORTH EUROPEAN OIL ROYALTY TRUST

Results: Fiscal 2007 versus Fiscal 2006 *(continued)*

Under the OEG Agreement, gas sales decreased 12.18% to 156.736 Bcf from 178.472 Bcf in fiscal 2006 due primarily to weather.

Quarterly and Yearly Gas Sales under the OEG Agreement in Billion cubic feet

Fiscal Quarter	2007 Gas Sales	2006 Gas Sales	Percentage Change
First	41.976	47.876	-12.32%
Second	40.518	46.775	-13.38%
Third	37.982	42.563	-10.76%
Fourth	36.260	41.258	-12.11%
Fiscal Year Total	156.736	178.472	-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 in Euro cents per Kilowatt hour

Fiscal Quarter	2007 Gas Prices	2006 Gas Prices	Percentage Change
First	2.4017	2.1240	13.08%
Second	2.3038	2.3088	-0.22%
Third	1.8774	2.1900	-14.27%
Fourth	1.9568	2.1582	-9.33%
Fiscal Year Avg.	2.1463	2.1961	-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, royalties paid under the OEG Agreement were transferred at an average Euro exchange rate of \$1.3409, an increase of 8.47% from the average Euro exchange rate 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.

NORTH EUROPEAN OIL ROYALTY TRUST

Critical Accounting Policies

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.

This report contains forward looking statements concerning business, financial performance and financial condition of the Trust. Many of these statements are based on information provided to the Trust by the operating companies or by consultants using public information sources. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in any forward looking statements. These include uncertainties concerning levels of gas production and gas sale prices, general economic conditions and currency exchange rates, as well as additional factors set forth under Item 1A of the Current Report on Form 10-K. Actual results and events may vary significantly from those discussed in the forward looking statements.

Distributions and Trading

The Trust's units of beneficial interest are listed for trading on the New York Stock Exchange under the symbol NRT. 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. As of November 28, 2008, there were 1,085 unit owners of record.

NORTH EUROPEAN OIL ROYALTY TRUST

Distributions and Trading *(continued)*

The following table presents the high and low closing prices for the quarterly periods ended in fiscal 2008 and 2007 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 2008

<u>Quarter Ended</u>	<u>Low Closing Price</u>	<u>High Closing Price</u>	<u>Distribution per Unit</u>
January 31, 2008	\$31.57	\$35.25	\$0.76
April 30, 2008	\$31.10	\$38.99	\$0.98
July 31, 2008	\$33.43	\$40.29	\$0.89
October 31, 2008	\$19.75	\$35.90	\$1.03

Fiscal Year 2007

<u>Quarter Ended</u>	<u>Low Closing Price</u>	<u>High Closing Price</u>	<u>Distribution per Unit</u>
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

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 Exhibit 99.1 to the Current Report on Form 10-K.

The Cost Depletion Report has been prepared by Davis Associates using the limited information described in Item 2 of the Current Report on Form 10-K 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 2008 is 8.1211%. 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 2008 calendar year are included on a special removable page (27-28) in this report under "Note to Unit Owners." Additionally, the tax reporting information for 2008 is available on the Trust's website, www.neort.com, in the section marked Tax Information in the sub-section Tax Letters.

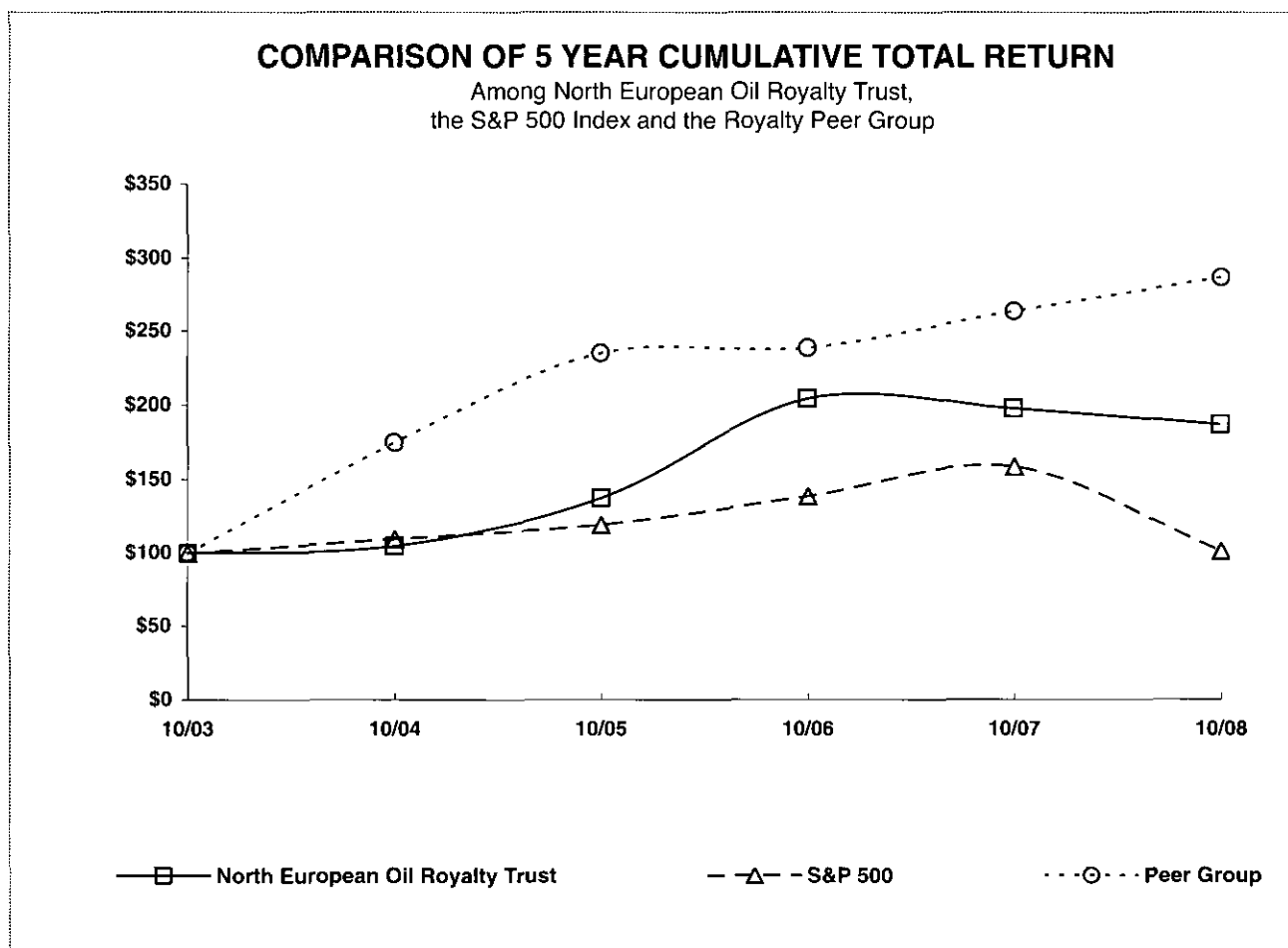
The Trust does not maintain any compensation plans under which units are authorized for issuance. The Trust did not make any repurchases of Trust units during fiscal 2008, 2007 or 2006.

NORTH EUROPEAN OIL ROYALTY TRUST

Comparison of Five Year Returns

The graph set forth below compares, for the last five years, the cumulative return on Trust Units, the securities in a peer group index, and the S&P 500 Composite Index. Because no published peer group index exists, the Trustees have developed a peer group consisting of the following three domestic oil royalty trusts: Mesa Royalty Trust, Sabine Royalty Trust and San Juan Basin Royalty Trust (the "Royalty Peer Group"). The composition of the Royalty Peer Group has been the same since the Trust's proxy statement for its 1993 Annual Meeting of Unit Owners.

The reserves and sales attributed to the royalty trusts comprising the Royalty Peer Group are located in the United States, while the reserves and sales attributed to North European Oil Royalty Trust are located in Germany. There are fundamental differences between the energy markets in the United States and Germany that affect commodity pricing and as a result severely restrict the usefulness of any comparison of their cumulative returns. The Trust has been unable to locate any royalty trusts publicly traded in the U.S. with reserves and sales in Europe. In determining the cumulative return on investment, it has been assumed that on October 31, 2003, an equal dollar amount was invested in the Trust Units, in the securities of the trusts of the Royalty Peer Group, and in the S&P 500 Composite Index. The comparisons assume in all cases the reinvestment of all dividends or distributions on the respective payment dates. The cumulative returns shown for the Trust and the Royalty Peer Group do not reflect any differences between the tax treatment of Trust distributions, due to permitted cost depletion, and dividends on securities in the S&P 500 Composite Index.



NORTH EUROPEAN OIL ROYALTY TRUST

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Trustees and Unit Owners of 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, 2008 and 2007, 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 three-year period ended October 31, 2008. The Trust's management is responsible for these financial statements. 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 the Trust as of October 31, 2008 and 2007, its revenue collected and expenses paid, its undistributed earnings, and changes in its cash and cash equivalents for each of the years in the three-year period ended October 31, 2008, 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 Trust's internal control over financial reporting as of October 31, 2008, 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 23, 2008 expressed an unqualified opinion.

Weiser LLP
New York, NY
December 23, 2008

NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS (NOTE 1) OCTOBER 31, 2008 AND 2007

ASSETS

CURRENT ASSETS:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents (Note 1)	\$ 9,524,529	\$ 5,912,620
Producing gas and oil royalty rights (Note 1)	<u>1</u>	<u>1</u>
	<u>\$ 9,524,530</u>	<u>\$ 5,912,621</u>

LIABILITIES AND TRUST CORPUS

CURRENT LIABILITIES:

Distributions to be paid to unit owners,
Paid November 2008 and 2007

	<u>2008</u>	<u>2007</u>
	\$ 9,466,308	\$ 5,881,978

TRUST CORPUS (Notes 1 and 2)

	<u>2008</u>	<u>2007</u>
	1	1

UNDISTRIBUTED EARNINGS

	<u>2008</u>	<u>2007</u>
	58,221	30,642
	<u>\$ 9,524,530</u>	<u>\$ 5,912,621</u>

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

**STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID (NOTE 1)
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006**

DISTRIBUTIONS PAID OR TO BE PAID:

Distributions per unit paid or to be paid to unit owners (Note 6)

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

NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF UNDISTRIBUTED EARNINGS (NOTE 1) FOR THE FISCAL YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006

	2008	2007	2006
BALANCE, beginning of year	\$ 30,642	\$ 35,590	\$ 64,299
NET INCOME	33,665,138	26,739,669	30,258,944
	<u>33,695,780</u>	<u>26,775,259</u>	<u>30,323,243</u>
LESS:			
Dividends and distributions paid to formerly unlocated unit owners (Note 3)	0	0	148,097
Current year distributions paid or to be paid to unit owners (Note 6)	33,637,559	26,744,617	30,139,556
BALANCE, end of year	<u>\$ 58,221</u>	<u>\$ 30,642</u>	<u>\$ 35,590</u>

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

STATEMENTS OF CHANGES IN CASH AND CASH EQUIVALENTS (NOTE 1)
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006

	2008	2007	2006
SOURCES OF CASH AND CASH EQUIVALENTS:			
German gas, sulfur and oil royalties received	\$34,645,159	\$27,484,254	\$31,079,122
Interest income	<u>95,802</u>	<u>207,932</u>	<u>164,021</u>
	<u>34,740,961</u>	<u>27,692,186</u>	<u>31,243,143</u>
USES OF CASH AND CASH EQUIVALENTS:			
Payment of Trust expenses	1,075,823	952,517	984,199
Distributions and dividends paid (Note 3)	<u>30,053,229</u>	<u>28,031,299</u>	<u>26,974,961</u>
	<u>31,129,052</u>	<u>28,983,816</u>	<u>27,959,160</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, during the year	3,611,909	(1,291,630)	3,283,983
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,912,620</u>	<u>7,204,250</u>	<u>3,920,267</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 9,524,529</u>	<u>\$ 5,912,620</u>	<u>\$ 7,204,250</u>

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

NORTH EUROPEAN OIL ROYALTY TRUST

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2008, 2007 AND 2006

(1) Summary of significant accounting policies:

Basis of accounting -

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

Producing gas and oil royalty rights -

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

Federal income taxes -

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

Cash and cash equivalents -

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

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

Net income per unit -

Net income per unit is based upon the number of units outstanding at the end of the period. As of October 31, 2008, 2007 and 2006, there were 9,190,590 units of beneficial interest outstanding.

NORTH EUROPEAN OIL ROYALTY TRUST

(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. 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.

(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 office services, the Trust reimbursed the Managing Director \$7,699 and \$10,633 in the fourth quarter of fiscal 2008 and 2007, respectively. For such office space and services, the Trust reimbursed the Managing Director \$28,939 and \$28,381 in fiscal 2008 and 2007, respectively.

As of January 1, 2007, Lawrence A. Kobrin, a Trustee of the Trust, was named Senior Counsel at Cahill Gordon & Reindel LLP which serves as counsel to the Trust. Prior to such time, Mr. Kobrin was a partner at Cahill Gordon & Reindel LLP. For the fourth quarter of fiscal 2008 and 2007, the Trust paid Cahill Gordon & Reindel LLP \$21,154 and \$23,162 for legal services, respectively. For fiscal 2008 and 2007, the Trust paid Cahill Gordon & Reindel LLP \$122,218 and \$76,357 for legal services, respectively.

As of November 1, 2006, John H. Van Kirk, the former Managing Trustee of the Trust and the father of John R. Van Kirk, was named to the position of Founding Trustee Emeritus. In this role, he

NORTH EUROPEAN OIL ROYALTY TRUST

remains available for periodic consultation by the Trustees and Managing Director. For his service in such capacity, John H. Van Kirk earned \$10,000 in both calendar 2008 and 2007.

(5) Employee Benefit Plan:

The Trust has established a savings incentive match plan for employees (SIMPLE IRA) that is available to both employees of the Trust, one of whom is 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.

(6) Quarterly results (unaudited):

The tables below summarize the quarterly results and distributions of the Trust for the fiscal years ended October 31, 2008 and 2007:

	Fiscal 2008 by Quarter and Year				
	First	Second	Third	Fourth	Year
Royalties received	\$7,215,083	\$9,360,976	\$8,463,341	\$9,605,759	\$34,645,159
Net income	6,979,325	9,049,406	8,226,859	9,409,548	33,665,138
Net income per unit	\$0.76	\$0.98	\$0.90	\$1.02	\$3.66
Distributions paid or to be paid	\$6,984,848	\$9,006,778	\$8,179,625	\$9,466,308	\$33,637,559
Distributions per unit paid or to be paid to unit owners	\$0.76	\$0.98	\$0.89	\$1.03	\$3.66

	Fiscal 2007 by Quarter and Year				
	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	\$0.90	\$0.80	\$0.57	\$0.64	\$2.91
Distributions paid or to be paid	\$8,179,625	\$7,352,472	\$5,330,542	\$5,881,978	\$26,744,617
Distributions per unit paid or to be paid to unit owners	\$0.89	\$0.80	\$0.58	\$0.64	\$2.91

NORTH EUROPEAN OIL ROYALTY TRUST

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

Internal Control over Financial Reporting

Part A. Management's Report on Internal Control over Financial Reporting

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, 2008. 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 (United States) and in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Trust's internal control over financial reporting was effective as of October 31, 2008. Management's assessment of the effectiveness of our internal control over financial reporting as of October 31, 2008 has been audited by Weiser LLP, the Trust's independent auditor, as stated in their report which appears below.

Part B. Attestation Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

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

We have audited North European Oil Royalty Trust's (the "Trust") internal control over financial reporting as of October 31, 2008, 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 included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Trust's internal control over financial reporting based on our audit.

NORTH EUROPEAN OIL ROYALTY TRUST

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 of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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.

In our opinion, the Trust maintained, in all material respects, effective internal control over financial reporting as of October 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statements of assets, liabilities and trust corpus as of October 31, 2008, 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, 2008 of the Trust and our report dated December 23, 2008 expressed an unqualified opinion thereon.

Weiser LLP
New York, NY
December 23, 2008

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

IMPORTANT

**RETAIN THIS LETTER FOR PREPARATION OF YOUR 2008 INCOME TAX RETURNS
THE TRUST DOES NOT FILE NOR FURNISH TO OWNERS A FORM 1099**

January 2, 2009

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

This letter sets forth the information you will require for preparation of your personal income tax return in connection with ownership of units of beneficial interest in North European Oil Royalty Trust (the "Trust") during 2008.

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

The Internal Revenue Service has ruled that the overriding royalty rights held by the Trust represent economic interest in oil and gas deposits. Consequently, income realized from such interests is taxable to each unit owner as ordinary income subject to cost depletion. In the initial year of ownership the original cost of the units is the basis for computing the cost depletion. In each subsequent year the basis for computing cost depletion is the adjusted cost basis for their units. This adjusted cost basis is the original cost less the cumulative amount of depletion previously taken. For example 100 units purchased at \$20 per unit on January 2nd of a given year would have a cost basis of \$2,000. If the cost depletion percentage for that year were 10%, you would show a cost depletion of \$200 on your tax return and your adjusted cost basis for the following year would be \$1,800. If you continued to hold those units through the next year and the cost depletion percentage were the same, you would show a cost depletion of \$180 on your tax return and your adjusted cost basis for the following year would be \$1,620. The preceding example is for illustration purposes only.

Based upon computations of proved producing reserves estimated in accordance with accepted engineering analytical principles, Ralph E. Davis Associates, Inc. of Houston, Texas has recommended that the percentage to be applied to the cost basis to determine deductions **for the cost depletion for the year 2008 is 8.1211%**. The suggested percentage for cost depletion deduction will be adjusted annually in accordance with reported production results and revised reserve estimates. Since the above percentage covers the entire year 2008, if you owned units for only a portion of the year, you are required to prorate the percentage depletion in the ratio that the cumulative Income per Unit shown on the following schedule for the period of your ownership bears to the Total Income per Unit for the entire year.

TEAR OUT HERE

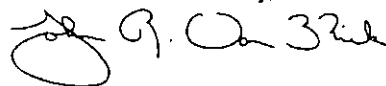
If you owned units for the period January 1, 2008 through December 31, 2008, you will be considered to have received and expended, on the cash basis, the respective totals for each unit shown in the following schedule. On the other hand, if you owned units for only a portion of that period, then the schedule shows the amounts of income and deductible expenses reportable by you for each unit owned for the respective months. For your information, income is received between the 24th and the end of each month.

	<u>Income Per Unit</u>	<u>Expenses Per Unit</u>
January 2008	\$0.2923	\$0.0086
February	0.2774	0.0204
March	0.2914	0.0078
April	0.4497	0.0057
May	0.3110	0.0111
June	0.2919	0.0081
July	0.3180	0.0066
August	0.3230	0.0101
September	0.3333	0.0049
October	0.3889	0.0064
November	0.3605	0.0166
December	0.3554	0.0053
TOTAL 2008	<u><u>\$3.9928</u></u>	<u><u>\$0.1116</u></u>

Income and expenses should be reported on Federal Income Tax Form 1040, Schedule E. Please note that royalty income is generally considered portfolio income under the passive loss rules enacted by the Tax Reform Act of 1986. Under Part I, Income or Loss from Rental Real Estate and Royalties, line 1 enter property description as "oil and gas overriding royalty rights, Germany through North European Oil Royalty Trust." Your income and expenses are calculated by multiplying the above Per Unit figures by the number of units you owned. Your income should be entered on line 4. Expenses should be entered on line 18 as "miscellaneous Trust expenses." Your cost depletion deduction should be entered on line 20. This figure is derived by multiplying the total adjusted cost of all your units by .081211. Your adjusted cost is your original cost minus depletion deducted in prior years. Your net reportable income or loss should be entered on lines 22 and 26 in Part I and on line 40 in Part V and is determined by subtracting the amounts entered on lines 18 and 20 from the amount on line 4. All of the above entries should be adjusted for the period of time you owned your units, if you did not own them throughout 2008.

The royalty income received by the Trust represents income from Germany. Although there are no German taxes imposed on this income, this information should be considered if you have available foreign tax credits from other sources. The Trust will submit this letter and the listing of unit owners during 2008 to the Internal Revenue Service. This list will contain names, addresses and tax ID or Social Security Numbers; we suggest that you attach this letter to your tax returns.

Most sincerely,



John R. Van Kirk
Managing Director

NORTH EUROPEAN OIL ROYALTY TRUST

Trustees

Robert P. Adelman
Managing Trustee,
Director or Trustee
of various
profit and non-profit
companies

Samuel M. Eisenstat
Attorney; CEO,
Abjac Energy Corp.;
Director or Trustee
of several Funds
managed by AIG
SunAmerica Asset
Management Corp.

Lawrence A. Kobrin
Senior Counsel,
Cahill Gordon &
Reindel LLP

Willard B. Taylor
Attorney

Rosalie J. Wolf
Managing Partner,
Botanica Capital
Partners LLC

Managing Director

John R. Van Kirk

**Office of the
Managing Director**

Suite 19A
43 West Front Street
Red Bank, N.J. 07701
Tel: (732) 741-4008
Fax: (732) 741-3140
E-Mail: neort@neort.com
Website: www.neort.com

**Petroleum and Natural
Gas Consultants**

Ralph E. Davis Associates, Inc.
1717 St. James Place
Suite 460
Houston, Texas 77056

Counsel

Cahill Gordon & Reindel LLP
80 Pine Street
New York, N.Y. 10005

Auditors

Weiser LLP
135 West 50th Street
New York, N.Y. 10020

Transfer Agent

Registrar and Transfer Co.
10 Commerce Drive
Cranford, N.J. 07016
Tel: (800) 368-5948
(908) 497-2300
Website: www.rtco.com

A copy of the Trust's Form 10-K Annual Report for fiscal 2008 as filed with the Securities and Exchange Commission will be sent upon written request to John R. Van Kirk, Managing Director, P.O. Box 456, Red Bank, New Jersey 07701. In addition to the 2008 10-K, other pertinent filings and documents are available at the Trust's website, www.neort.com

END