

North European Oil Royalty Trust

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Nancy M. Morris
Federal Advisory Committee
Management Officer
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

File No. 265-23

Ladies and Gentlemen:

In accordance with the invitation contained in Commission Release Nos. 33-8666 and 34-53385, we are writing to comment concerning the exposure draft of the advisory committee on smaller public companies to the Commission. We urge most strongly affirmative action on the recommendations of the Advisory Committee calling for exemptive relief for smallcap and microcap companies from the external auditor involvement in compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

The exemptive relief suggested is particularly appropriate for passive entities, such as royalty trusts, which conduct no business operations or activities. Such exemption relief is already afforded by the Listed Company Manual of the New York Stock Exchange (Section 303A.00 "Other Entities") and should be made available in parallel fashion by the Commission under its administrative powers, as suggested in part by the Advisory Committee report.

The need for, and appropriateness of, the proposed relief is illustrated by the entity submitting this letter of comment, North European Oil Royalty Trust (the "Trust").

The Trust is a grantor trust, the beneficial interests of which are publicly held, registered under Section 12 of the 1934 Act, and listed on the New York Stock Exchange. The sole function of the Trust is to monitor and receive overriding royalties from oil and gas production in Germany and distribute the amounts received, net of administration expenses, to the beneficial owners. The Trust was formed in 1975 as a successor to an earlier Delaware corporation, under the supervision of the Delaware Court of Chancery.

Over the past several years, the annual royalty revenues received by the Trust have not exceeded \$25 million. Given the preclusion of the Trust from any active business activities or functions, it has no product revenues attributable to the Trust itself. The current market cap of the Trust is approximately \$275,000,000, based upon its current traded unit price on the Exchange.

The Trust conducts no business activities or operations and is not permitted to do so under its governing Trust Agreement. Its limited number of employees has made it challenging to put into place the full range of auditor approved standard internal controls ordinarily appropriate for a business operation of larger size. The imposition of the requirements of Section 404 has markedly increased its accounting and legal costs. The Trustees believe that the additional procedures and external auditor involvement have had only a modest positive effect on the procedures in use within the Trust to monitor its own treatment of funds and disbursements. They have also created considerable additional paperwork and record keeping, as well as time invested and charges by the external auditors. The audit fees have almost tripled since the Act became effective and our auditors estimate that over 40% of our annual audit fees are associated with the formal Section 404 requirements. Additional legal fees have been incurred as we sought to comply with various requirements which do not really fit a pass-through situation.

We believe that an exemption similar to that contained in the Exchange Company Manual would be appropriate for the Trust to conform to the analysis made by the Exchange in its preparation of the Company Manual amendments. If such a blanket exemption or relief is not deemed possible under the statute, however, we would urge that the Commission adopt the proposals of the Advisory Committee to cover the Section 404 external auditor involvement, as described in Recommendation III.P.2.

Very truly yours,

NORTH EUROPEAN OIL ROYALTY TRUST

John R. Van Kirk
Managing Director