NORTH EUROPEAN OIL ROYALTY TRUST
Form 10-Q
May 21, 2015

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 April 30, 2015 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 April 30, 2015
Units of Beneficial Interest	9,190,590

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

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

APRIL 30, 2015 AND OCTOBER 31, 2014

(Unaudited)

	2015	2014
ASSETS		
Current assets - - Cash and cash equivalents	$ 3,125,111	$ 3,754,736
Producing gas and oil royalty rights, net of amortization (Notes 1 and 2)	1	1
Total Assets	$ 3,125,112	$ 3,754,737
LIABILITIES AND TRUST CORPUS		
Current liabilities - - Distributions to be paid to unit owners, to be paid May 2015 and paid November 2014	$ 3,032,895	$ 3,584,330
Trust corpus (Notes 1 and 2)	1	1
Undistributed earnings	92,216	170,406
Total Liabilities and Trust Corpus	$ 3,125,112	$ 3,754,737

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 APRIL 30, 2015 AND 2014

(Unaudited)

	2015	2014
Gas, sulfur and oil royalties received	$ 3,238,135	$ 5,346,449
Interest income	2,239	5,120
Trust Income	3,240,374	5,351,569
Non-related party expenses	(150,219)	(191,139)
Related party expenses (Note 3)	(15,660)	(20,429)
Trust Expenses	(165,879)	(211,568)
Net Income	$ 3,074,495	$ 5,140,001
Net income per unit	$ .33	$ .56
Distributions per unit paid or to be paid to unit owners	$ .33	$ .56

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

STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID (NOTE 1)

FOR THE SIX MONTHS ENDED APRIL 30, 2015 AND 2014

(Unaudited)

	2015	2014
Gas, sulfur and oil royalties received	$ 6,680,848	$10,641,982
Interest income	5,651	10,036
Trust Income	6,686,499	10,652,018
Non-related party expenses	(462,514)	(515,300)
Related party expenses (Note 3)	(52,574)	(37,909)
Trust Expenses	(515,088)	(553,209)
Net Income	$ 6,171,411	$10,098,809
Net income per unit	$0.67	$1.10
Distributions per unit paid or to be paid to unit owners	$0.68	$1.10

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

STATEMENTS OF UNDISTRIBUTED EARNINGS (NOTE 1)

FOR THE SIX MONTHS ENDED APRIL 30, 2015 AND 2014

(Unaudited)

	2015	2014
Balance, beginning of period	$ 170,406	$ 47,477
Net income	6,171,411	10,098,809
	6,341,817	10,146,286
Less:		
Current year distributions paid or to be paid to unit owners	6,249,601	10,109,649
Balance, end of period	$ 92,216	$ 36,637

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

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

FOR THE SIX MONTHS ENDED APRIL 30, 2015 AND 2014

(Unaudited)

	2015	2014
Sources of Cash and Cash Equivalents:		
Gas, sulfur and oil royalties received	$ 6,680,848	$10,641,982
Interest income	5,651	10,036
	6,686,499	10,652,018
Uses of Cash and Cash Equivalents:		
Payment of Trust expenses	515,088	553,209
Distributions paid	6,801,036	9,833,932
	7,316,124	10,387,141
Net increase (decrease) in cash and cash equivalents during the period	(629,625)	264,877
Cash and cash equivalents, beginning of period	3,754,736	4,918,490
Cash and cash equivalents, end of period	$ 3,125,111	$ 5,183,367

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"). In the opinion of management, all adjustments that are considered necessary for a fair presentation of these financial statements, including adjustments of a normal, recurring nature, have been included.

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, 2014 (the "2014 Form 10-K"). The Statements of Assets, Liabilities and Trust Corpus included herein contain information from the Trust's 2014 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 and state 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. The Trust has no state income tax obligations.

Cash and cash equivalents -

Cash and cash equivalents are defined as amounts deposited in bank accounts and amounts invested in certificates of deposit and U. S. Treasury bills with original maturities generally 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 April 30, 2015, the uninsured amount held in the Trust's U.S. bank accounts was $2,869,908. In addition, the Trust held Euros 9,983, the equivalent of $11,189, in its German bank account at April 30, 2015.

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 April 30, 2015 and 2014, 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 ExxonMobil Corp. and the Royal Dutch/Shell Group of Companies. Under these contracts, the Trust receives various percentage royalties on the proceeds of the sales of certain products from the areas involved. At the present time, royalties are received for sales of gas well gas, oil well gas, crude oil, condensate and sulfur.

(3) Related party transactions:

John R. Van Kirk, the Managing Director of the Trust, provides office space and office services to the Trust at cost. For such office space and office services, the Trust reimbursed the Managing Director $6,954 and $6,688 in the second quarter of fiscal 2015 and 2014, respectively. For such office space and office services, the Trust reimbursed the Managing Director $11,288 and $11,087 in the first six months of fiscal 2015 and 2014, 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 second quarter of fiscal 2015 and 2014, the Trust paid Cahill Gordon & Reindel LLP $8,706 and $13,741 for legal services, respectively. For the first six months of fiscal 2015 and 2014, the Trust paid Cahill Gordon & Reindel LLP $41,286 and $26,822 for legal services, respectively.

(4) 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 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 2015 and 2014 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 engaging in such activities by the Trust Agreement. There are no requirements, therefore, for capital resources with which to make capital expenditures or investments in order to continue the receipt of royalty revenues by the Trust.

The properties of the Trust, which the Trust and Trustees hold pursuant to the Trust Agreement on behalf of the unit owners, are overriding royalty rights on sales of gas, sulfur and oil under certain concessions or leases in the Federal Republic of Germany. The actual leases or concessions are held either by Mobil Erdgas-Erdol GmbH ("Mobil Erdgas"), a German operating subsidiary of the ExxonMobil Corp. ("ExxonMobil"), or by Oldenburgische Erdolgesellschaft ("OEG"). 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 (approximately 1,386,000 acres) covers virtually the entire former Principality 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 ExxonMobil and the Royal Dutch/Shell Group of Companies, formed a company ExxonMobil Production Deutschland GmbH ("EMPG") to carry out all exploration, drilling and production activities. All sales activities are still handled by the operating companies, either Mobil Erdgas or BEB.

The operating companies pay monthly royalties to the Trust based on their sales of natural gas, sulfur and oil. Of these three products, natural gas provided approximately 92% of the cumulative royalty income received in fiscal 2015. The amount of royalties paid to the Trust is primarily based on four factors: the amount of gas sold, the price of that gas, the area from which the gas is sold, and the exchange rate.

On 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 is divided into thirds and forms the monthly royalty payments (payable on the 15th of each month) to the Trust for its upcoming fiscal quarter. At the same time that the operating companies determine the actual amount of royalties that were payable for the prior calendar quarter, they look at the actual amount of royalties that were paid to the Trust for that period and calculate the difference between what was paid and what was payable. Additional amounts payable by the operating companies would be paid immediately and any overpayment would be deducted from the payment for the first month of the following fiscal quarter. In September of each year, the operating companies make the final determination of any necessary royalty adjustments for the prior calendar year with a positive or negative adjustment made accordingly. Currently, the Trust's German accountants review the royalty calculations on a biennial basis.

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. Sour gas, in comparison, must be processed at the Grossenkneten desulfurization plant 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. As needed, the operators of the desulfurization plant conduct maintenance on the plant 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 accounted for approximately 98% of the cumulative royalty income received under this agreement in fiscal 2015. 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. In the first six months of fiscal 2015 and 2014, the Trust received $216,673 and $91,580, respectively, in sulfur royalties under the Mobil Agreement.

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.

Under the Mobil and OEG Agreements, the gas is sold either to various distributors under long-term contracts (which delineate, among other provisions, the timing, manner, volume and price of the gas sold) or the gas is sold at spot market prices. Gas sold at spot market prices is either sold directly on the spot market or the gas is sold between Mobil Erdgas and BEB (intra-company sales). With regard to gas sales under the long-term contracts, 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 rely on imports to meet the majority of its energy demands, oil prices on the international market (in U.S. dollars) have a significant impact on the price of light heating oil in Germany and a delayed impact on the price of gas. With respect to gas sold under the long-term contracts, these customers have recently been able, to a certain extent, to force the operating companies to accept spot market prices for portions of the contractual sales. As a consequence, the linkage between oil prices and gas prices appears to be weakening. Gas sold at spot market prices is sold indirectly via intra-company sales to the open market. The pricing for those intra-company sales is based on the quoted market price of gas.

The Trust itself does not have access to the specific sales contracts under which gas from the Oldenburg concession is sold. However, working under a confidentiality agreement with the operating companies, the Trust's German accountants review both the contractual sales and spot market or intra-company sales periodically on behalf of the Trust to verify their correctness. In November or December of 2015, the Trust's accountants in Germany will begin their examination of the operating companies' royalty calculations for 2013 and 2014.

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 some of 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 price 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. With regard to either spot market or intra-company sales, there is no long-term impact by the exchange rate because there is no relationship between the price of oil and the price of gas.

Industry trends are beginning to indicate that the linkage in contracts between oil prices (through the price of light heating oil) and gas prices appears to be declining with new contracts being written with a linkage to spot market prices on a specific exchange with a plus or minus factor added. To the extent this becomes standard practice, the long-term impact of the exchange rate on gas pricing and, ultimately, Trust royalties would be gradually eliminated.

Seasonal demand factors affect the income from the Trust's royalty rights insofar as they relate to energy demands and increases or decreases in prices, but on average they are generally not material to the annual income received under the Trust's royalty rights.

The Trust has no means of ensuring continued income from overriding royalty rights at their present level or otherwise. The Trust's 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 the Trust's consultant, he receives reports from EMPG with respect to current and planned drilling and exploration efforts. However, EMPG and the operating companies continue 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 costs. Sustained price inflation would be reflected in sales prices. 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: Second Quarter of Fiscal 2015 Versus Second Quarter of Fiscal 2014

Total royalties received during the second quarter of fiscal 2015 were primarily derived from sales of gas, sulfur and oil from the Trust's overriding royalty areas in Germany during the first calendar quarter of 2015. A distribution of 33 cents per unit will be paid on May 27, 2015 to owners of record as of May 15, 2015. Comparisons of total royalties received and net income for the second quarter of fiscal 2015 and 2014 are shown below.

	2nd Fiscal Qtr. Ended 4/30/2015	2nd Fiscal Qtr. Ended 4/30/2014	Percentage Change
Total Royalties Received	$3,238,135	$5,346,449	- 39.43%
Net Income	$3,074,495	$5,140,001	- 40.18%
Distributions per Unit	$0.33	$0.56	- 41.07%

The decline in total royalties received between the second quarter of fiscal 2015 and the second quarter of fiscal 2014 resulted from two separate elements determining royalty income. The first element relates to accounting adjustments that are derived by the over or underpayment of royalties from prior quarters or years, which are required to reconcile advanced estimated payments to actual results. The second element relates to gas sales from the immediately preceding quarter and reflects changes in the factors affecting gas royalties, namely gas sales, gas prices and the average exchange rates.

With regard to the first element impacting total royalties received, the net amount of such adjustments reduced royalties for the second quarter of fiscal 2015 by $340,524. This included a negative adjustment from 2013 of $561,584. In addition, the Trust received separate sulfur royalty payments of $216,673 under the Mobil Agreement. In comparison, the second quarter of fiscal 2014 saw a positive adjustment of $12,068 but received no separate sulfur royalty payments. The impact of these adjustments is reflected in the figures shown in the table above.

The table below is intended to illustrate the second element affecting total royalties received by detailing the factors determining the gas royalties payable from the preceding calendar quarter. Gas royalties are based solely on the actual gas sales that occurred during the first calendar quarter of 2015 and 2014 and do not reflect any adjustments for prior periods.

Factors Determining Gas Royalties Payable

Mobil Agreement	1st Calendar Qtr. Ended 3/31/2015	1st Calendar Qtr. Ended 3/31/2014	Percentage Change
Gas Sales (Bcf)(1)	7.642	7.651	- 0.12%
Gas Prices (Ecents/Kwh)(2)	2.3212	2.6635	- 12.85%
Average Exchange Rate(3)	1.0754	1.3776	- 21.94%
Gas Royalties	$2,198,548	$3,225,728	- 31.84%
Gas Prices ($/Mcf)(4)	$ 7.19	$10.54	- 31.78%
OEG Agreement			
Gas Sales (Bcf)	23.137	24.355	- 5.00%
Gas Prices (Ecents/Kwh)	2.4128	2.7096	- 10.95%
Average Exchange Rate	1.0830	1.3774	- 21.37%
Gas Royalties	$ 969,655	$1,487,638	- 34.82%
Gas Prices ($/Mcf)	$ 7.33	$10.47	- 29.99%

(1) Billion cubic feet (2) Euro cents per Kilowatt hour
(3) Based on average exchange rates of cumulative royalty transfers
(4) Dollars per thousand cubic feet

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 the calendar quarter ended March 31, 2015, gas sales from western Oldenburg accounted for only 33.03% of all gas sales. However, royalties on these gas sales provided approximately 76.65% of all royalties attributable to gas sales from the Oldenburg concession.

Trust expenses for the second quarter of fiscal 2015 decreased 21.60%, or $45,689, to $165,879 from $211,568 in the second quarter of fiscal 2014 due to lower Trustee fees as specified in the Trust Agreement, reduced mailing costs, and no work by the Trust's German accountants due to their earlier completion of the biennial royalty examination. Trust interest income received during the second quarter of fiscal 2015 decreased to $2,239 in comparison to $5,120 received in the second quarter of fiscal 2014 due to reduced funds available for investment.

The current Statements of Assets, Liabilities and Trust Corpus of the Trust at April 30, 2015, compared to that at fiscal year-end (October 31, 2014), shows a decrease in assets due to the lower royalty receipts during the second quarter of fiscal 2015.

Results: First Six Months of Fiscal 2015 Versus First Six Months of Fiscal 2014

Total royalties received during the first six months of fiscal 2015 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 2014 and the first calendar quarter of 2015. Comparisons of total royalties received and net income for the first six months of fiscal 2015 and 2014 are shown below.

	Six Months Ended 4/30/2015	Six Months Ended 4/30/2014	Percentage Change
Total Royalties Received	$ 6,680,848	$10,641,982	- 37.22%
Net Income	$ 6,171,411	$10,098,809	- 38.89%
Distributions per Unit	$0.68	$1.10	- 38.18%

The decline in total royalties received between the first six months of fiscal 2015 and the first six months of fiscal 2014 again resulted from two separate elements determining royalty income. The first element relates to accounting adjustments that are derived by the over or underpayment of royalties from prior quarters or years, which are required to reconcile advanced estimated payments to actual results. The second element relates to gas sales from the immediately preceding six calendar month period and reflects changes in the factors affecting gas royalties, namely gas sales, gas prices and the average exchange rates.

With regard to the first element impacting total royalties received, the net amount of such adjustments reduced royalties for the first six months of fiscal 2015 by $761,793. In addition, the Trust received separate sulfur royalty payments of $216,673 under the Mobil Agreement. In comparison, total royalties received in the first six months of fiscal 2014 saw a negative adjustment of $48,473 as well as separate sulfur royalty payments of $91,580. The impact of these adjustments is reflected in the figures shown in the table above.

The table below is intended to illustrate the second element affecting total royalties received by detailing the factors determining the gas royalties payable from the preceding six calendar months. Gas royalties are based solely on the actual gas sales that occurred during the six calendar months ended 3/31/2015 and 3/31/2014 and do not reflect any adjustments for prior periods.

Factors Determining Gas Royalties Payable

Mobil Agreement	Six Months Ended 3/31/2015	Six Months Ended 3/31/2014	Percentage Change
Gas Sales (Bcf)	15.519	15.759	- 1.52%
Gas Prices (Ecents/Kwh)	2.3367	2.7058	- 13.64%
Average Exchange Rate	1.1454	1.3685	- 16.30%
Gas Royalties	$4,776,482	$6,705,072	- 28.76%
Gas Prices ($/Mcf)	$ 7.69	$10.64	- 27.73%
OEG Agreement			
Gas Sales (Bcf)	46.634	49.822	- 6.40%
Gas Prices (Ecents/Kwh)	2.4471	2.7539	- 11.14%
Average Exchange Rate	1.1417	1.3685	- 16.57%
Gas Royalties	$2,099,052	$3,092,505	- 32.12%
Gas Prices ($/Mcf)	$ 7.83	$10.57	- 25.92%

For the six months ended 3/31/2015, gas sales from western Oldenburg accounted for only 33.28% of all gas sales. However, royalties on these gas sales provided approximately 79.07% of all royalties attributable to gas sales from the Oldenburg concession.

Trust expenses for the first six months of fiscal 2015 decreased 6.89%, or $38,121, to $515,088 from $553,209 for the first six months of fiscal 2014. This decrease in expenses is due to lower Trustee fees as specified in the Trust Agreement and no work by the Trust's German accountants due to their earlier completion of the biennial royalty examination. Trust interest income received during the first six months of fiscal 2015 decreased to $5,651 in comparison to $10,036 received in the first six months of fiscal 2014 due to reduced funds available for investment.

Report on Drilling and Geophysical Work

The Trust has received a report on exploration and drilling which was submitted by ExxonMobil Production Gesellschaft ("EMPG") to the Authority for Mining, Energy and Geology. The following is a summary of this report reflecting some additional comments from the Trust's German consultant. EMPG is not obligated to take any of the actions outlined and, if they change their plans with respect to any such actions, they are not obligated to inform the Trust.

In its report, EMPG provided information of the new regulatory requirements that must be completed prior to the drilling of new conventional gas wells. These requirements include an environmental impact study and a data capture of the flora/fauna habitat in the area of the well site. Each of these studies can take up to a year. Acknowledging the time necessary to fulfill these requirements, EMPG has stated that they do not expect to conduct any drilling activities in 2015 and 2016. Since, at best, EMPG has only averaged between one and two wells per year, the short-term impact of this suspension of drilling should be minimal with respect to the Trust's royalty income.

EMPG has also announced that the drilling of the western exploratory well, Hemmelte NW T1, to evaluate the sweet gas bunter zone, will be delayed until 2017 with no reason offered.

For the Trust, the three active production zones in the Oldenburg concession (Bunter, Zechstein and Carboniferous) are all considered conventional. However, the Carboniferous zone is the only zone for which fracking is considered necessary to access sufficient reserves in order to make the well economically productive. Due to the ongoing fracking moratorium, further evaluation of the carboniferous zone has been postponed. The Trust's German consultant does not expect fracking to be available for conventional gas development until mid-2017 at the earliest.

The report further indicated that EMPG's geological and geophysical departments are continuing their efforts to interpret previously conducted 2-D seismic results based upon improved interpretation technology. Preliminary work is continuing on the drilling project, Ahlhorn Z3, intended to reopen the old Ahlhorn gas field which was plugged and abandoned in 1997.

Three wells completed drilling in 2014: Visbek Z-9b was a dry hole; Doetlingen-Ost Z-1 has not yet entered production; and Goldenstedt Z-34 entered production in November. Goldenstedt is a sour gas well with an initial production rate of just under 9 million cubic feet/day. However, at this production level, sulfur particles began to appear intermingled with the gas. Since the wellhead mechanism was not made to handle the sulfur, production was reduced to 7 million cubic feet per day. This reduction allowed for the maintenance of higher pressure levels, which forced the sulfur to remain in a gaseous form and be transportable to the desulfurization plant for removal.

There was no maintenance work conducted at the Grossenkneten desulfurization plant in 2014 but, for 2015, EMPG will be conducting maintenance work at Grossenkneten from August 31st to October 13th.

This report on Form 10-Q may contain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such statements address future expectations and events or conditions concerning 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:

1. risks and uncertainties concerning levels of gas production and gas sale prices, general economic conditions and currency exchange rates;

2. the ability or willingness of the operating companies to perform under their contractual obligations with the Trust;

3. potential disputes with the operating companies and the resolution thereof; and

4. the risk factors set forth under Item 1A of the Trust's Annual Report on Form 10-K for the year ended October 31, 2014.

All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and are generally beyond the control of the Trust. New factors emerge from time to time and it is not possible for the Trust to predict all such factors or to assess the impact of each such factor on the Trust. Any forward-looking statement speaks only as of the date on which such statement is made, and the Trust does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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.

During the quarter ended April 30, 2015, the Trust completed the process of implementing the criteria for effective internal control over financial reporting established in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013").

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 April 30, 2015 based on the criteria for effective internal control over financial reporting described in the standards promulgated by the Public Company Accounting Oversight Board and in COSO 2013. Based on that evaluation, the Managing Director concluded that the Trust's disclosure controls and procedures were effective as of April 30, 2015.

The Managing Director further believes that implementing the new criteria issued by COSO 2013 did not materially affect, or is reasonably likely to materially affect, the Trust's internal control over financial reporting.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

The Trust is not a party to any pending legal proceedings.

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: May 21, 2015