# North European Oil Royalty Trust

REPORT TO OWNERS
for the six months ended April 30, 2007



## CONDENSED INCOME STATEMENTS
**(Modified Cash Basis) (Unaudited)**

| | For the Three Months Ended | | For the Six Months Ended | |
|---|---|---|---|---|
| | **April 30, 2007** | **April 30, 2006** | **April 30, 2007** | **April 30, 2006** |
| German royalties received | $7,544,543 | $8,297,022 | $16,027,930 | $16,481,691 |
| Interest income | 57,210 | 32,663 | 110,903 | 54,696 |
| Trust expenses | (268,312) | (267,243) | (545,206) | (529,336) |
| Net income | $7,333,441 | $8,062,442 | $15,593,627 | $16,007,051 |
| Net income per unit | $ .80 | $ .88 | $1.70 | $1.74 |
| Dividends and distributions per unit paid to formerly unlocated unit owners | $ .00 | $ .00 | $ .00 | $ .02 |
| Cash distributions declared per unit | $ .80 | $ .88 | $1.69 | $1.73 |
| Units outstanding | 9,190,590 | 9,190,590 | 9,190,590 | 9,190,590 |

This report may contain 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. Actual results and events may vary significantly from those discussed in the forward looking statements.

# NORTH EUROPEAN OIL ROYALTY TRUST

Report to Unit Owners:

For the second quarter of fiscal 2007, the Trust's net income was $7,333,441, a decrease of 9.04% from the net income for the prior year's period. This income was derived from sales of gas, sulfur and oil from the Trust's overriding royalty areas in Germany during the first calendar quarter of 2007. The Trustees have announced a distribution of 80 cents per unit payable on May 30, 2007 to owners of record as of May 11, 2007. For the six month period, the Trust's net income was $15,593,627, a decrease of 2.58% from the net income for last year's equivalent period. For the six month period ended April 30, 2007 total distributions were equal to $1.69 per unit.

The amount of royalties paid to the Trust is based on four primary factors: the amount of gas sold, the price of that gas, the area from which the gas is sold and the exchange rate. For the second quarter of fiscal 2007 a combination of lower gas prices and lower gas sales under both the higher and lower royalty rate agreements more than offset the increase in average exchange rates and resulted in the reduction in net income.

For the quarter just ended, under the higher royalty rate agreement covering western Oldenburg (the "Mobil Agreement") gas sales decreased 9.95% to 17.125 billion cubic feet ("Bcf") from 19.016 Bcf in the second quarter of fiscal 2006. For the quarter just ended, the average price of gas sold under the Mobil Agreement decreased 12.28% to 1.9950 Eurocents/Kwh ("Ecents/Kwh") from 2.2743 Ecents/Kwh in the second quarter of fiscal 2006. Based on the transfer from Germany of royalties received under the Mobil Agreement, the average value of the Euro for the quarter just ended increased 10.12% to a dollar equivalent of $1.3321 from $1.2097 for the second quarter of fiscal 2006. Converting the average gas prices using this average exchange rate into more familiar terms yields an average gas price under this agreements of $7.64 per thousand cubic feet ("Mcf") compared to $7.91/Mcf for the second quarter of fiscal 2006.

For the quarter just ended, under the lower royalty rate agreement covering the entire Oldenburg concession (the "OEG Agreement") gas sales decreased 13.38% to 40.518 Bcf from 46.775 Bcf in the second quarter of fiscal 2006. For the quarter just ended, the average price of gas sold under the OEG Agreement decreased 0.22% to 2.3038 Ecents/Kwh from 2.3088 Ecents/Kwh in the second quarter of fiscal 2006. Based on the transfer from Germany of royalties received under the OEG Agreement, the average value of the Euro for the quarter just ended increased 9.82% to a dollar equivalent of $1.3297 from $1.2108 for the second quarter of fiscal 2006. Converting the average gas prices using this average exchange rate into more familiar terms yields an average gas price under this agreement of $8.60 per Mcf compared to $7.84/Mcf for the second quarter of fiscal 2006.

## REPORT ON DRILLING AND GEOPHYSICAL WORK

The Trust's German consultant, Alfred Stachel, met recently with representatives of the operating companies to inquire about planned and proposed drilling and geophysical work for 2007 and 2008 and other general matters. The following is a summary of Mr. Stachel's account of the operating companies' responses to his inquiries. The Trust is not able to confirm the accuracy of any of these findings or responses. In addition, the operating companies are 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.

The operating companies reported to Mr. Stachel that the drilling program is being continued with two wells (both located in eastern Oldenburg) planned for calendar 2007. Goldenstedt Z-7a, a horizontal deviation, will begin drilling in May 2007 as the second well intended to exploit the tight Carboniferous gas zone. The first well to exploit the Carboniferous zone using a horizontal deviation was Doetlingen Ost Z-2, which began production in 2006. The Carboniferous zone is a sweet gas zone located below the Zechstein (sour gas) zone. Using an existing borehole, the horizontal deviation is planned to penetrate the gas bearing zone along a length of 3,940 feet. The gas bearing reservoir's vertical thickness is believed to be approximately 820 feet. Seven individual hydraulic fracturing treatments are planned along the horizontal length. Estimated production startup is in the first half of 2008.

Following the completion of the drilling of Goldenstedt Z-7a the drilling rig will be moved to the second well, Varnhorn Z-7a, which is scheduled to further explore the Carboniferous zone. Working from an existing borehole, the horizontal deviation is planned to penetrate the gas bearing zone along a length of 4,920 feet. The gas bearing reservoir's vertical thickness is believed to be approximately 328 feet. Six individual hydraulic fracturing treatments are planned along the horizontal length. Estimated production startup is in the second half of 2008.

The processing and interpretation of earlier seismic work covering the Quadmoor, Rechterfeld, Sagermeer, Goldenstedt, Visbek and Oythe fields has and will be continuing. This work provides detailed information regarding depth and direction to fully exploit available reserves within these fields through further drilling, including infill, exploratory and horizontal. Preliminary well planning based on the information developed has begun for four drilling projects scheduled for beyond 2007. Hemmelte NW Z-1, an exploratory well, is the only well planned for the western half of Oldenburg. This well is scheduled to exploit two gas bearing zones, the Bunter sweet gas zone and the Zechstein sour gas zone. Quadmoor Z-5 is an infill well intended to exploit the sour gas bearing Zechstein zone within an existing field and increase overall field recovery. Goldenstedt Z-23a, a horizontal deviation, will be the fourth well to exploit the Carboniferous zone. The final well, Cappeln Z-6, is scheduled to exploit a separate geological block of the Carboniferous zone. No start times for these future drilling projects have been announced.

According to the long term inspection and maintenance schedule, there is no maintenance work scheduled for the Grossenkneten desulfurization plant during 2007. The new compressor units completed in the fall of 2004 continue to contribute to gas production levels without any major problems.

Respectfully submitted,

John R. Van Kirk
Managing Director

May 23, 2007