

ECA Marcellus Trust I  
Form 10-Q  
November 07, 2014  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

- x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**for the quarterly period ended September 30, 2014**

**OR**

- o 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: 001-34800**

**ECA MARCELLUS TRUST I**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**27-6522024**  
(I.R.S. Employer  
Identification No.)

**The Bank of New York Mellon  
Trust Company, N.A., Trustee  
Global Corporate Trust  
919 Congress Avenue  
Austin, Texas**  
(Address of principal executive offices)

**78701**  
(Zip Code)

**(512) 236-6555**  
(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  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 (§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

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

As of November 7, 2014, 17,605,000 Common Units of Beneficial Interest in ECA Marcellus Trust I were outstanding.

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Table of Contents**PART I-FINANCIAL INFORMATION****Item 1. Financial Statements.****ECA Marcellus Trust I****Statements of Assets, Liabilities, and Trust Corpus****(Unaudited)**

	As of September 30, 2014	As of December 31, 2013
<b>ASSETS:</b>		
Cash	\$ 373,690	\$ 1,488,231
Royalty income receivable	3,740,149	4,915,471
Floor price contracts		480,480
Royalty interest in gas properties	352,100,000	352,100,000
Accumulated amortization	(135,650,569)	(118,145,132)
Net royalty interest in gas properties	216,449,431	233,954,868
Total Assets	\$ 220,563,270	\$ 240,839,050
<b>LIABILITIES AND TRUST CORPUS:</b>		
<b>Liabilities:</b>		
Distributions payable to unitholders	\$ 3,572,223	\$ 6,372,545
Trust corpus; 17,605,000 common units authorized, issued and outstanding	216,991,047	234,466,505
Total Liabilities and Trust Corpus	\$ 220,563,270	\$ 240,839,050

See notes to the unaudited financial statements.

Table of Contents**ECA Marcellus Trust I****Statements of Distributable Income****(Unaudited)**

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
Royalty income	\$ 15,609,858	\$ 18,555,936	\$ 3,740,149	\$ 5,227,427
Hedge proceeds	268,632	5,392,527		1,817,742
Net proceeds to Trust	\$ 15,878,490	\$ 23,948,463	\$ 3,740,149	\$ 7,045,169
General and administrative expense	(968,269)	(868,872)	(167,926)	(164,325)
Interest income		2		
Income available for distribution prior to cash reserves	\$ 14,910,221	\$ 23,079,593	\$ 3,572,223	\$ 6,880,844
Cash reserves withheld by Trustee	(500,000)			
Distributable income available to unitholders	\$ 14,410,221	\$ 23,079,593	\$ 3,572,223	\$ 6,880,844
Distributable income per common unit (17,605,000 units authorized and outstanding)	\$ 0.818	\$ 1.311	\$ 0.203	\$ 0.391

See notes to the unaudited financial statements.

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**ECA Marcellus Trust I**

**Statements of Trust Corpus**

**(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
Trust Corpus, Beginning of Period	\$ 234,466,505	\$ 266,966,362
Cash reserves withheld	500,000	
Distributable income	14,410,221	23,079,593
Distributions paid or payable to unitholders	(14,399,762)	(23,073,010)
Amortization of royalty interest in gas properties	(17,505,437)	(23,471,026)
Amortization of floor price contracts	(480,480)	(1,783,320)
Trust Corpus, End of Period	\$ 216,991,047	\$ 241,718,599

See notes to the unaudited financial statements.

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**ECA MARCELLUS TRUST I**

**NOTES TO FINANCIAL STATEMENTS**

**(Unaudited)**

**NOTE 1. Organization of the Trust**

ECA Marcellus Trust I is a Delaware statutory trust formed in March 2010 by Energy Corporation of America ( ECA ) to own royalty interests in fourteen producing horizontal natural gas wells producing from the Marcellus Shale formation, all of which are online and are located in Greene County, Pennsylvania (the Producing Wells ) and royalty interests in 52 horizontal natural gas development wells subsequently drilled to the Marcellus Shale formation (the PUD Wells ) within the Area of Mutual Interest, or AMI , comprised of approximately 9,300 acres held by ECA, of which it owns substantially all of the working interests in Greene County, Pennsylvania. The effective date of the Trust was April 1, 2010; consequently, the Trust received the proceeds of production attributable to the PDP Royalty Interest (defined herein) from that date even though the PDP Royalty Interest was not conveyed to the Trust until the closing of the initial public offering on July 7, 2010. The total number of units the Trust is authorized to issue is 17,605,000 units, all of which are now common units. Prior to December 31, 2012, 13,203,750 were common units and 4,401,250 were subordinated units. The royalty interests were conveyed from ECA 's working interest in the Producing Wells and the PUD Wells limited to the Marcellus Shale formation (the Underlying Properties ). The royalty interest in the Producing Wells (the PDP Royalty Interest ) entitles the Trust to receive 90% of the proceeds (exclusive of any production or development costs but after deducting post-production costs and any applicable taxes) from the sale of production of natural gas attributable to ECA 's interest in the Producing Wells. The royalty interest in the PUD Wells (the PUD Royalty Interest and collectively with the PDP Royalty Interest, the Royalty Interests ) entitles the Trust to receive 50% of the proceeds (exclusive of any production or development costs but after deducting post-production costs and any applicable taxes) from the sale of production of natural gas attributable to ECA 's interest in the PUD Wells. As of the formation of the Trust, approximately 50% of the originally estimated natural gas production attributable to the Trust 's Royalty Interests had been hedged with a combination of floors and swaps through March 31, 2014. The floor price contracts were transferred to the Trust by ECA, while ECA entered into a back-to-back swap agreement with the Trust to provide the Trust with the benefit of swap contracts entered into between ECA and third parties.

ECA was obligated to drill all of the PUD Wells no later than March 31, 2014. As of November 30, 2011, ECA had met its drilling obligation and had drilled 52.06 Equivalent PUD Wells, calculated as provided in the Development Agreement. Consequently, the drilling support lien ECA had granted to the Trust in connection with the formation of the Trust to secure ECA 's drilling obligations has been released. The Trust was not responsible for any costs related to the drilling of development wells or any other development or operating costs. The Trust 's cash receipts in respect of the Royalty Interests are determined after deducting post-production costs and any applicable taxes associated with the PDP and PUD Royalty Interests. The Trust 's cash available for distribution includes any cash receipts from the floor price contracts and is reduced by Trust administrative expenses. Post-production costs generally consist of costs incurred to gather, compress, transport, process, treat, dehydrate and market the natural gas produced. Charges (the Post-Production Services Fee ) payable to ECA for such post-production costs on the Greene County Gathering System were limited to \$0.52 per MMBtu gathered until ECA fulfilled its drilling obligation (which it did in November 2011); thereafter, ECA may increase the Post-Production Services Fee to the extent necessary to recover certain capital expenditures in the Greene County Gathering System. Additionally, when electric compression is utilized in lieu of gas as fuel in the compression process, the Trust is charged for the electric usage as provided for in the Trust conveyance documents.

Generally, the percentage of production proceeds received by the Trust with respect to a well equals the product of (i) the percentage of proceeds to which the Trust is entitled under the terms of the conveyances (90% for the Producing Wells and 50% for the PUD Wells) multiplied by (ii) ECA 's net revenue interest in the well. ECA on average owns an 81.53% net revenue interest in the Producing Wells. Therefore, the Trust is entitled to receive on average 73.37% of the proceeds of production from the Producing Wells. With respect to the PUD Wells, the conveyance related to the PUD Royalty Interest provides that the proceeds from the PUD Wells will be calculated on the basis that the underlying PUD Wells are burdened only by interests that in total would not exceed 12.5% of the revenues from such properties, regardless of whether the

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royalty interest owners are actually entitled to a greater percentage of revenues from such properties. As an example, assuming ECA owns a 100% working interest in a



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PUD well, the applicable net revenue interest is calculated by multiplying ECA's percentage working interest in the 100% working interest well by the unburdened interest percentage (87.5%) and such well would have a minimum 87.5% net revenue interest. Accordingly, the Trust is entitled to a minimum of 43.75% of the production proceeds from the well provided in this example. To the extent ECA's working interest in a PUD well is less than 100%, the Trust's share of proceeds is proportionately reduced.

The Trust makes quarterly cash distributions of substantially all of its cash receipts, after deducting Trust administrative expenses, including the costs incurred as a result of being a publicly traded entity, on or about 60 days following the completion of each quarter. The Trust is scheduled to liquidate on or about March 31, 2030 (the Termination Date). At the Termination Date, 50% of each of the PDP Royalty Interest and the PUD Royalty Interest will revert automatically to ECA. The remaining 50% of each of the PDP Royalty Interest and the PUD Royalty Interest will be sold, and the net proceeds will be distributed pro rata to the unitholders soon after the Termination Date. ECA will have a right of first refusal to purchase the remaining 50% of the Royalty Interests at the Termination Date.

The business and affairs of the Trust are administered by The Bank of New York Mellon Trust Company, N.A. as Trustee. Although ECA operates all of the Producing Wells and all of the PUD Wells, ECA has no ability to manage or influence the management of the Trust. Neither the Trust nor the Trustee has any authority or responsibility for, or any involvement with or influence over, any aspect of the operations on or relating to the properties to which the Royalty Interests relate.

### **NOTE 2. Basis of Presentation**

The preparation of financial statements requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Without limiting the foregoing statement, the information furnished is based upon certain estimates of the revenues attributable to the Trust from natural gas production for the three months and nine months ended September 30, 2014 and 2013 and is therefore subject to adjustment in future periods to reflect actual production for the periods presented.

The information furnished reflects all normal and recurring adjustments which are, in the opinion of the Trustee, necessary for a fair presentation of the results for the interim period presented. The accompanying unaudited interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2013. The December 31, 2013 condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

### **NOTE 3. Significant Accounting Policies**

The accompanying unaudited financial information has been prepared by the Trustee in accordance with the instructions to Form 10-Q. The financial statements of the Trust differ from financial statements prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) because certain cash reserves may be established for contingencies, which would not be accrued in financial statements prepared in accordance with GAAP. Amortization of expired floor price contract premiums does not reduce Distributable Income, rather it is charged directly to Trust Corpus. Floor price contract premiums became fully amortized as of March 31, 2014. Amortization of the investment in overriding royalty interests calculated on a unit-of-production basis is charged directly to Trust Corpus. This comprehensive basis

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of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission as specified by Accounting Standard Codification (ASC) 932 Extractive Activities - Oil and Gas: Financial Statements of Royalty Trusts ( ASC 932 ). Income determined on the basis of GAAP would include all expenses incurred for the period presented. However, the Trust serves as a pass-through entity, with expenses for depreciation, depletion, and amortization, interest and income taxes being based on the status and elections of the Trust unitholders. General and administrative expenses, production taxes or any other allowable costs are charged to the Trust only when cash has been paid for those expenses. In addition, the Royalty Interest is not burdened by field and lease operating expenses. Thus, the statement shows distributable income, defined as income of the Trust available for distribution to the Trust unitholders before application of those additional expenses, if any, for depreciation, depletion, and

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amortization, interest and income taxes. The revenues are presented net of existing royalties and overriding royalties and have been reduced by gathering/post-production expenses.

*Cash:*

Cash may include highly liquid instruments maturing in three months or less from the date acquired.

*Use of Estimates in the Preparation of Financial Statements:*

The preparation of financial statements requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Revenue and Expenses:*

The Trust serves as a pass-through entity, with items of depletion, interest income and expense, and income tax attributes being based upon the status and election of the unitholders. Thus, the Statements of Distributable Income show income available for distribution before application of those unitholders' additional expenses, if any, for depletion, interest income and expense, and income taxes.

The Trust uses the accrual basis to recognize revenue, with royalty income recorded as reserves are extracted from the Underlying Properties and sold. Expenses are recognized when paid.

*Royalty Interest in Gas Properties:*

The Royalty Interests in gas properties are assessed to determine whether their net capitalized cost is impaired, whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, pursuant to ASC 360, Property, Plant and Equipment ( ASC 360 ). The Trust will determine if a write-down is necessary to its investment in the Royalty Interests in gas properties to the extent that total capitalized costs, less accumulated amortization, exceed undiscounted future net revenues attributable to proved gas reserves of the Underlying Properties. Determination as to whether and how much an asset is impaired involves estimates on highly uncertain matters such as future commodity prices, the effects of inflation and technology improvements on post-production costs and the outlook for national or regional market supply and demand conditions. If required, the Trust will provide a write-down to the extent that the net capitalized costs exceed the fair value of the investment in net profits interests attributable to proved gas reserves of the Underlying Properties. Any such write-down would not reduce Distributable Income, although it would reduce Trust Corpus. No impairment in the Underlying Properties has been recognized since inception of the Trust. Significant dispositions or abandonment of the Underlying Properties are charged to Royalty Interests and the Trust Corpus.

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Amortization of the Royalty Interests in gas properties is calculated on a units-of-production basis, whereby the Trust's cost basis in the properties is divided by Trust total proved reserves to derive an amortization rate per reserve unit. Such amortization does not reduce Distributable Income, rather it is charged directly to Trust Corpus. Revisions to estimated future units-of-production are treated on a prospective basis beginning on the date significant revisions are known.

The conveyance of the Royalty Interests to the Trust was accounted for as a purchase transaction. The \$352,100,000 reflected in the Statements of Assets, Liabilities and Trust Corpus as Royalty Interests in Gas Properties represents 17,605,000 Trust Units valued at \$20.00 per unit. The carrying value of the Trust's investment in the Royalty Interests is not necessarily indicative of the fair value of such Royalty Interests.

### **NOTE 4. Commodity Hedges**

The Trust is exposed to risk fluctuations in energy prices in the normal course of operations. ECA conveyed to the Trust natural gas derivative floor price contracts and entered into a back-to-back swap agreement with the Trust which conveyed the benefit of certain swap agreements which ECA had previously entered into with third parties. The volumes originally covered by these agreements equated to approximately 50% of the originally estimated natural gas to be produced by the Trust properties through March 31, 2014. The swap contracts expired on

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June 30, 2012. The floor contracts, which expired March 31, 2014, had a price of \$5.00 per MMBtu on a total volume of 11,268,000 MMBtu for the period from October 1, 2010 through March 31, 2014. The Trust used the cash method to account for commodity contracts. Under this method, gains or losses associated with the contracts were recognized at the time the hedged production occurred. Hedge proceeds realized for the quarters ended September 30, 2014 and 2013 totaled \$0 and \$1,817,742, respectively. Hedge proceeds realized for the nine months ended September 30, 2014 and 2013 totaled \$268,632 and \$5,392,527, respectively. The fair market values of the commodity contracts as of December 31, 2013 were not included in the accompanying financial statements, as the statements are presented on a modified cash basis of accounting.

**NOTE 5. Income Taxes**

The Trust is a Delaware statutory trust, which is taxed as a partnership for federal and state income taxes. Accordingly, no provision for federal or state income taxes has been made. Uncertain tax positions are accounted for under ASC 740, *Income Taxes* (ASC 740), which prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Additionally, ASC 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Trust has not identified any uncertain tax positions through the period ended September 30, 2014.

**NOTE 6. Related Party Transactions**

*Trustee Administrative Fee:*

Under the terms of the Trust Agreement, the Trust pays an annual administrative fee of \$150,000 to the Trustee, which may be adjusted beginning January 1, 2016 as provided in the Trust Agreement. These costs, as well as those to be paid to ECA pursuant to the Administrative Services Agreement referred to below, are deducted by the Trust in the period paid.

*Administrative Services Fee:*

The Trust has an Administrative Services Agreement with ECA that obligates the Trust to pay ECA each quarter an administrative services fee for accounting, bookkeeping and informational services to be performed by ECA on behalf of the Trust relating to the Royalty Interests. The annual fee of \$60,000 is payable in equal quarterly installments. Under certain circumstances, ECA and the Trustee each may terminate the Administrative Services Agreement at any time following delivery of notice no less than 90 days prior to the date of termination.

*Cash Advance:*

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During the quarter ended March 31, 2014, and pursuant to an agreement dated July 7, 2010, ECA advanced \$200,000 to the Trust for use in paying current and future liabilities of the Trust as they become due. ECA recovered the advance by withholding \$200,000 from royalty income proceeds payable to the Trust for the quarter ended March 31, 2014.

### *Related Party Ownership and Registration Rights Agreement:*

Pursuant to the terms of the Registration Rights Agreement to which ECA and the Trust are parties, ECA and the Trust filed a registration statement on Form S-3 pursuant to which ECA could publicly offer and sell up to 4,573,128 common units. ECA and the Trust also filed a registration statement on Form S-4 pursuant to which ECA could publicly offer to exchange up to 3,957,527 depository units of Eastern American Natural Gas Trust for up to 4,120,059 common units of the Trust. The registration statements were declared effective on February 8, 2013. In March 2013, ECA exchanged 1,288,456 common units of the Trust for 946,750 Depository Units of Eastern American Natural Gas Trust that had been validly tendered for exchange under the registration statement on Form S-4. During May 2014, ECA sold or conveyed the remainder of its Trust units. As of September 30, 2014, ECA held no common units of the Trust.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

References to the Trust in this document refer to ECA Marcellus Trust I. References to ECA in this document refer to Energy Corporation of America and its wholly-owned subsidiaries, and when discussing the conveyance documents, include the private investors. The following review of the Trust's financial condition and results of operations should be read in conjunction with the financial statements and notes thereto and the audited financial statements and notes thereto included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2013. The Trust's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and also at [www.businesswire.com/cnn/ect.htm](http://www.businesswire.com/cnn/ect.htm). Certain terms used herein are defined in Appendix A.

**Note Regarding Forward-Looking Statements**

This Form 10-Q contains forward-looking statements about ECA and the Trust and other matters discussed herein that are subject to risks and uncertainties. All statements other than statements of historical fact included in this document, including, without limitation, statements under Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors regarding the financial position, business strategy, production and reserve growth, development activities and costs and other plans and objectives for the future operations of ECA and all matters relating to the Trust are forward-looking statements. Actual outcomes and results may differ materially from those projected.

When used in this document, the words believes, expects, anticipates, intends or similar expressions, are intended to identify such forward-looking statements. Further, all statements regarding future circumstances or events are forward-looking statements. The following important factors, in addition to those discussed elsewhere in this document, could affect the future results of the energy industry in general, and ECA and the Trust in particular, and could cause those results to differ materially from those expressed in such forward-looking statements:

- risks incident to the operation of natural gas wells;
- future production costs;
- the effects of existing and future laws and regulatory actions;
- the effects of changes in commodity prices;
- conditions in the capital markets;

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- competition in the energy industry;
- the uncertainty of estimates of natural gas reserves and production; and
- other risks described under the caption "Risk Factors" in the Trust's Annual Report on Form 10-K for the year ended December 31, 2013.

This Form 10-Q describes other important factors that could cause actual results to differ materially from expectations of ECA and the Trust, including those referenced in Item 1A of Part II under the caption "Risk Factors." All subsequent written and oral forward-looking statements attributable to ECA or the Trust or persons acting on behalf of ECA or the Trust are expressly qualified in their entirety by such factors. The Trust assumes no obligation, and disclaims any duty, to update these forward-looking statements.

### **Overview**

The Trust is a statutory trust created under the Delaware Statutory Trust Act. The Bank of New York Mellon Trust Company, N.A. serves as Trustee. The Trust does not conduct any operations or activities. The Trust's purpose is, in general, to hold the Royalty Interests (described below), to distribute to the Trust unitholders cash that



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the Trust receives in respect of the Royalty Interests after payment of Trust expenses, and to perform certain administrative functions in respect of the Royalty Interests and the Trust units. The Trustee has no authority or responsibility for, and no involvement with, any aspect of the oil and gas operations on the properties to which the Royalty Interests relate. The Trust derives all or substantially all of its income and cash flows from the Royalty Interests, which in turn were subject to the hedge contracts described in Part I, Item 3. The Trust is treated as a partnership for federal and state income tax purposes.

ECA completed its drilling obligation to the Trust under the Development Agreement as of November 30, 2011, substantially in advance of the required completion date of March 31, 2014. Consequently, no additional wells will be drilled for the Trust. As of September 30, 2014 the Trust owns royalties in the 14 Producing Wells and the 40 development wells (52.06 Equivalent PUD Wells calculated in accordance with the Development Agreement) that are now completed and in production.

The Royalty Interests were conveyed from ECA's working interest in the Producing Wells and the PUD Wells limited to the Underlying Properties. The PDP Royalty Interest entitles the Trust to receive 90% of the proceeds (exclusive of any production or development costs but after deducting post-production costs and any applicable taxes) from the sale of production of natural gas attributable to ECA's interest in the Producing Wells for a period of 20 years commencing on April 1, 2010 and 45% thereafter. The PUD Royalty Interest entitles the Trust to receive 50% of the proceeds (exclusive of any production or development costs but after deducting post-production costs and any applicable taxes) from the sale of production of natural gas attributable to ECA's interest in the PUD Wells for a period of 20 years commencing on April 1, 2010 and 25% thereafter. Approximately 50% of the originally estimated natural gas production attributable to the Royalty Interests had been hedged through March 31, 2014. See Item 3 regarding a more complete description of the hedge contracts.

ECA was obligated to drill all of the PUD Wells by March 31, 2014. As of November 30, 2011, ECA had fulfilled its drilling obligation to the Trust by drilling 40 PUD Wells (52.06 Equivalent PUD Wells), calculated as provided in the Development Agreement. The Trust was not responsible for any costs related to the drilling of development wells or any other development or operating costs. The Trust's cash receipts in respect of the Royalty Interests are determined after deducting post-production costs and any applicable taxes associated with the Royalty Interests, and, prior to the expiration of the hedge arrangements on March 31, 2014, the Trust's cash available for distribution included any cash receipts from the hedge contracts. Cash available for distribution is also reduced by Trust administrative expenses and any amounts reserved for administrative expenses. Post-production costs generally consist of costs incurred to gather, compress, transport, process, treat, dehydrate and market the natural gas produced. Charges payable to ECA for such post-production costs on its Greene County Gathering System were limited to \$0.52 per MMBtu gathered until ECA fulfilled its drilling obligation in 2011; thereafter, ECA may increase the Post-Production Services Fee to the extent necessary to recover certain capital expenditures in the Greene County Gathering System.

Generally, the percentage of production proceeds received by the Trust with respect to a well equals the product of (i) the percentage of proceeds to which the Trust is entitled under the terms of the conveyances (90% for the Producing Wells and 50% for the PUD Wells) multiplied by (ii) ECA's net revenue interest in the well. ECA on average owns an 81.53% net revenue interest in the Producing Wells. Therefore, the Trust is entitled to receive on average 73.37% of the proceeds of production from the Producing Wells. With respect to the PUD Wells, the conveyance related to the PUD Royalty Interest provides that the proceeds from the PUD Wells will be calculated on the basis that the underlying PUD Wells are burdened only by interests that in total would not exceed 12.5% of the revenues from such properties, regardless of whether the royalty interest owners are actually entitled to a greater percentage of revenues from such properties. As an example, assuming ECA owns a 100% working interest in a PUD Well, the applicable net revenue interest is calculated by multiplying ECA's percentage working interest in the 100% working interest well by the unburdened interest percentage (87.5%), and such well would have a minimum 87.5% net revenue interest. Accordingly, the Trust is entitled to a minimum of 43.75% of the production proceeds from the well provided in this example. To the extent ECA's working interest in a PUD Well is less than 100%, the Trust's share of proceeds is proportionately reduced.

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The Trust makes quarterly cash distributions of substantially all of its cash receipts, after deducting Trust administrative expenses and costs and reserves therefor, on or about 60 days following the completion of each

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quarter. The first quarterly distribution was made on August 31, 2010 to record unitholders as of August 16, 2010. The Trust is scheduled to terminate in 2030.

The amount of Trust revenues and cash distributions to Trust unitholders will depend on, among other things:

- natural gas prices received;
- the volume and Btu rating of natural gas produced and sold;
- post-production costs and any applicable taxes; and
- administrative expenses of the Trust including expenses incurred as a result of being a publicly traded entity, and any changes in amounts reserved for such expenses.

The amount of the quarterly distributions will fluctuate from quarter to quarter, depending on the proceeds received by the Trust, among other factors. There is no minimum required distribution.

Pursuant to IRC Section 1446, withholding tax on income effectively connected to a United States trade or business allocated to foreign partners should be made at the highest marginal rate. Under Section 1441, withholding tax on fixed, determinable, annual, periodic income from United States sources allocated to foreign partners should be made at 30% of gross income unless the rate is reduced by treaty. This release is intended to be a qualified notice to nominees and brokers as provided for under Treasury Regulation Section 1.1446-4(b) by ECA Marcellus Trust I, and while specific relief is not specified for Section 1441 income, this disclosure is intended to suffice. Nominees and brokers should withhold 39.6% of the distribution made to foreign partners.

### **Results of Trust Operations**

#### **For the Three Months Ended September 30, 2014 compared to the Three Months Ended September 30, 2013**

Distributable income for the three months ended September 30, 2014 decreased to \$3.6 million from \$6.9 million for the three months ended September 30, 2013. Compared to the quarter ended September 30, 2013, royalty income decreased \$1.5 million, hedge proceeds decreased \$1.8 million and general and administrative expenses were essentially unchanged.

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Royalty income decreased from \$5.2 million for the three months ended September 30, 2013 to \$3.7 million for the three months ended September 30, 2014, a decrease of \$1.5 million. This decrease was due primarily to a decrease in production and the average sales price, partially offset by a decrease in post production costs.

The average sales price for gas production decreased from \$3.51 per Mcf for the three months ended September 30, 2013 to \$3.26 per Mcf for the three months ended September 30, 2014. This decrease in price was primarily the result of a \$0.74 decrease in the average Basis compared to the prior period, partially offset by a \$0.49 increase in the weighted average monthly closing NYMEX price for the current period to \$4.07 per MMBtu compared to the quarter ended September 30, 2013 weighted average monthly closing NYMEX price of \$3.58 per MMBtu.

Post production costs consist of a post-production services fee together with a charge for electricity used in lieu of gas for compression on the gathering system and firm transportation charges on interstate gas pipelines and, as of July 2013, an additional gathering charge for system enhancements applicable to certain wells in an effort to increase production by reducing the high line pressure previously experienced by those wells. Overall, average post production costs decreased to \$0.71 per Mcf for the quarter ended September 30, 2014 as compared to \$0.74 per Mcf for the quarter ended September 30, 2013.

Production decreased 22% from 1,886 MMcf for the three months ended September 30, 2013 to 1,471 MMcf for the three months ended September 30, 2014. The decreased production was primarily a result of natural

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production declines that occur during the early life of a well. During the quarter ended September 30, 2014, one Trust well was shut-in for approximately four weeks as a result of fracturing procedures being performed on a nearby well. By the end of September, the well was returned to production.

Hedge proceeds decreased from \$1.8 million for the three months ended September 30, 2013 to \$0 for the three months ended September 30, 2014, a decrease of approximately \$0.96 per Mcf as a result of the expiration of the \$5.00 fixed price floor contract on March 31, 2014. The Trust had 1,278,000 MMBtu hedged during the three months ended September 30, 2013. As a result of the expiration of the hedge arrangements on March 31, 2014, no such hedge was in place during the three months ended September 30, 2014.

The floor hedging arrangements expired March 31, 2014. Distributions after the expiration of the hedging arrangements may be substantially more volatile, and could, depending on natural gas prices, be substantially lower or higher than those during the period that the hedging arrangements were in effect.

General and administrative expenses paid by the Trust were \$0.2 million for both the three months ended September 30, 2014 and September 30, 2013.

### **For the Nine Months Ended September 30, 2014 compared to the Nine Months Ended September 30, 2013**

Distributable income for the nine months ended September 30, 2014 decreased to \$14.4 million from \$23.1 million for the nine months ended September 30, 2013. Compared to the nine months ended September 30, 2013, royalty income decreased \$3.0 million, hedge proceeds decreased \$5.1 million, general and administrative expenses increased \$0.1 million and the Trustee established a cash reserve of \$0.5 million.

Royalty income decreased from \$18.6 million for the nine months ended September 30, 2013 to \$15.6 million for the nine months ended September 30, 2014, a decrease of \$3.0 million. This decrease was due to a decrease in production, partially offset by an increase in the average sales price and a decrease in post production costs.

The average sales price for gas production increased from \$3.75 per Mcf for the nine months ended September 30, 2013 to \$4.12 per Mcf for the nine months ended September 30, 2014. This increase in price was primarily the result of a \$0.89 increase in the weighted average monthly closing NYMEX price for the current period to \$4.55 per MMBtu compared to the nine months ended September 30, 2013 weighted average monthly closing NYMEX price of \$3.66 per MMBtu, partially offset by a \$0.52 decrease in the average Basis compared to the prior period.

Post production costs consist of a post-production services fee together with a charge for electricity used in lieu of gas for compression on the gathering system and firm transportation charges on interstate gas pipelines and, as of July 2013, an additional gathering charge for system enhancements applicable to certain wells in an effort to maximize production by reducing the high line pressure previously experienced by those wells. Overall, average post production costs decreased to \$0.67 per Mcf for the nine months ended September 30, 2014 as compared to \$0.70 per Mcf for the nine months ended September 30, 2013. Post production costs were lower than the previous period primarily as a result of a reduction in the firm transportation costs, partially offset by a cash refund discussed herein. Effective March 1, 2013, the filed tariff rate charged

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by Columbia Gas Transmission, LLC ( TCO ) was reduced from \$0.1996 per MMBtu to \$0.1878 per MMBtu at a one hundred percent load factor. A one-time cash refund of approximately \$0.3 million from TCO representing retroactive application of the reduced rate covering the period from January 2012 through February 2013 was received in June 2013.

Production decreased 26% from 6,089 MMcf for the nine months ended September 30, 2013 to 4,523 MMcf for the nine months ended September 30, 2014. The decreased production was primarily a result of natural production declines that occur during the early life of a well.

Hedge proceeds decreased from \$5.4 million for the nine months ended September 30, 2013 to \$0.3 million for the nine months ended September 30, 2014, a decrease of approximately \$0.83 per Mcf primarily as a result of the expiration of the \$5.00 fixed price floor contract on March 31, 2014. The Trust had 4,053,000 MMBtu hedged during the nine months ended September 30, 2013 and 1,092,000 MMBtu hedged during the nine months ended September 30, 2014.

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The floor hedging arrangements expired March 31, 2014. Distributions after the expiration of the hedging arrangements may be substantially more volatile, and could, depending on natural gas prices, be substantially lower or higher than those during the period that the hedging arrangements were in effect.

General and administrative expenses paid by the Trust were \$1.0 million for the nine months ended September 30, 2014 as compared to \$0.9 million for the nine months ended September 30, 2013. The increase in expenses was primarily related to an increase in outside professional fees.

During the nine months ended September 30, 2014, the Trustee established a cash reserve of \$500,000 for use in paying current and future liabilities of the Trust as they become due. The establishment of the reserve decreased distributable income by \$500,000.

**Liquidity and Capital Resources**

The Trust has no source of liquidity or capital resources other than net cash flows from the Royalty Interests and proceeds from the hedge contracts, which expired as to production after March 31, 2014. Other than Trust administrative expenses, including, if applicable, expense reimbursements to ECA and any reserves established by the Trustee for future liabilities, the Trust's only use of cash is for distributions to Trust unitholders. Administrative expenses include payments to the Trustee and the Delaware Trustee as well as a quarterly fee of \$15,000 to ECA pursuant to the Administrative Services Agreement. Each quarter, the Trustee determines the amount of funds available for distribution. Available funds are the excess cash, if any, received by the Trust from the Royalty Interests and other sources (such as interest earned on any amounts reserved by the Trustee) that quarter, over the Trust's expenses for that quarter. Available funds are reduced by any cash the Trustee determines to hold as a reserve against future expenses or liabilities. The Trustee may borrow funds required to pay expenses or liabilities if the Trustee determines that the cash on hand and the cash to be received are insufficient to cover the Trust's expenses or liabilities. If the Trustee borrows funds, the Trust unitholders will not receive distributions until the borrowed funds are repaid.

Payments to the Trust in respect of the Royalty Interests are based on the complex provisions of the various conveyances held by the Trust, copies of which are filed as exhibits to this report, and reference is hereby made to the text of the conveyances for the actual calculations of amounts due to the Trust.

The Trust does not have any transactions, arrangements or other relationships with unconsolidated entities or persons that could materially affect the Trust's liquidity or the availability of capital resources.

**Significant Accounting Policies**

The financial statements of the Trust differ from financial statements prepared in accordance with generally accepted accounting principles in the United States of America ( GAAP ) because, among other differences, certain cash reserves may be established for contingencies, which would not be accrued in financial statements prepared in accordance with GAAP. Amortization of the investment in overriding royalty interests calculated on a unit-of-production basis is charged directly to Trust Corpus. This comprehensive basis of accounting other than GAAP

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corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission as specified by ASC 932.

Income determined on the basis of GAAP would include all expenses incurred for the period presented. However, the Trust serves as a pass-through entity, with expenses for depreciation, depletion, and amortization, interest and income taxes being based on the status and elections of the Trust unitholders. General and administrative expenses, production taxes or any other allowable costs are charged to the Trust only when cash has been paid for those expenses. In addition, the Royalty Interests are not burdened by field and lease operating expenses. Thus, the statement shows distributable income, defined as income of the Trust available for distribution to the Trust unitholders before application of those unitholders' additional expenses, if any, for depreciation, depletion, and amortization, interest and income taxes. The revenues are reflected net of existing royalties and overriding royalties and have been reduced by gathering/post-production expenses.



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*Revenue and Expenses:*

The Trust serves as a pass-through entity, with items of depletion, interest income and expense, and income tax attributes being based upon the status and election of the unitholders. Thus, the Statements of Distributable Income show income available for distribution before application of those unitholders' additional expenses, if any, for depletion, interest income and expense, and income taxes.

The Trust uses the accrual basis to recognize revenue, with royalty income recorded as reserves are extracted from the Underlying Properties and sold. Expenses are recognized when paid.

*Royalty Interest in Gas Properties:*

The Royalty Interests in gas properties are assessed to determine whether their net capitalized cost is impaired, whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, pursuant to ASC 360. The Trust will determine if a write down is necessary to its investment in the Royalty Interests in gas properties to the extent that total capitalized costs, less accumulated amortization, exceed undiscounted future net revenues attributable to proved gas reserves of the Underlying Properties. Determination as to whether and how much an asset is impaired involves estimates of highly uncertain matters such as future commodity prices, the effects of inflation and technology improvements on post-production costs and the outlook for national or regional market supply and demand conditions. If required, the Trust will provide a write down to the extent that the net capitalized costs exceed the fair value of the investment in net profits interests attributable to proved gas reserves of the Underlying Properties. Any such write-down would not reduce Distributable Income, although it would reduce Trust Corpus. No impairment in the Underlying Properties has been recognized since inception of the Trust. Significant dispositions or abandonment of the Underlying Properties are charged to Royalty Interests and the Trust Corpus.

Amortization of the Royalty Interests in gas properties is calculated on a units-of-production basis, whereby the Trust's cost basis in the properties is divided by Trust total proved reserves to derive an amortization rate per reserve unit. Such amortization does not reduce Distributable Income, rather it is charged directly to Trust Corpus. Revisions to estimated future units-of-production are treated on a prospective basis beginning on the date significant revisions are known.

The conveyance of the Royalty Interests to the Trust was accounted for as a purchase transaction. The \$352,100,000 reflected in the Statements of Assets, Liabilities and Trust Corpus as Royalty Interests in Gas Properties represents 17,605,000 Trust units valued at \$20.00 per unit. The carrying value of the Trust's investment in the Royalty Interests is not necessarily indicative of the fair value of such Royalty Interests.

**Item 3. *Quantitative and Qualitative Disclosures about Market Risk.***

**Hedge Contracts**

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The primary asset of and source of income to the Trust are the Royalty Interests, which generally entitle the Trust to receive varying portions of the net proceeds from gas production from the Underlying Properties. Consequently, the Trust is exposed to market risk from fluctuations in gas prices. Through March 31, 2014, however, the Royalties had been subject to the hedge contracts described below, which reduced the Trust's exposure to natural gas price volatility in prior periods.

The hedge contracts consisted of natural gas derivative swap and floor price contracts ECA entered into and subsequently conveyed to the Trust to provide the Trust with the economic effects of certain contracts previously entered into between ECA and third parties that equate to approximately 50% of the remaining natural gas originally estimated in connection with the formation of the Trust to be produced by the Trust properties from April 1, 2010 through March 31, 2014. The swap expired on June 30, 2012, and the floors expired on March 31, 2014. With respect to all production after March 31, 2014, all hedge contracts have expired, and no production attributable to the Trust is or will be hedged.

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The following table sets forth the volumes of natural gas that had been covered by the natural gas hedging contracts and the swap and floor prices for each quarter during the term of the contracts.

	Swap Volume (MMBtu)	Swap Price (MMBtu)	Floor Volume (MMBtu)	Floor Price (MMBtu)
Second Quarter 2010	682,500	\$ 6.75		
Third Quarter 2010	690,000	\$ 6.75		
Fourth Quarter 2010	690,000	\$ 6.75	225,000	\$ 5.00
First Quarter 2011	675,000	\$ 6.75	159,000	\$ 5.00
Second Quarter 2011	682,500	\$ 6.75	210,000	\$ 5.00
Third Quarter 2011	690,000	\$ 6.82	405,000	\$ 5.00
Fourth Quarter 2011	690,000	\$ 6.82	384,000	\$ 5.00
First Quarter 2012	682,500	\$ 6.82	369,000	\$ 5.00
Second Quarter 2012	682,500	\$ 6.82	516,000	\$ 5.00
Third Quarter 2012			1,305,000	\$ 5.00
Fourth Quarter 2012			1,362,000	\$ 5.00
First Quarter 2013			1,395,000	\$ 5.00
Second Quarter 2013			1,380,000	\$ 5.00
Third Quarter 2013			1,278,000	\$ 5.00
Fourth Quarter 2013			1,188,000	\$ 5.00
First Quarter 2014			1,092,000	\$ 5.00
Thereafter			0	N/A

#### **Item 4. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures.* The Trustee maintains disclosure controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms promulgated by the SEC. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Act is accumulated and communicated by ECA to The Bank of New York Mellon Trust Company, N.A., as Trustee of the Trust, and its employees who participate in the preparation of the Trust's periodic reports as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Trustee carried out an evaluation of the Trustee's disclosure controls and procedures. Sarah Newell, as Trust Officer of the Trustee, has concluded that the disclosure controls and procedures of the Trust are effective.

Due to the nature of the Trust, there are certain potential weaknesses that may limit the effectiveness of the disclosure controls and procedures established by the Trustee. The limitations include the facts that:

- ECA and its consolidated subsidiaries manage virtually all of the information relating to the Trust, including all information regarding (i) historical operating data, production volumes, the number of producing wells and acreage, the marketing and sale of production, operating and capital expenditures, environmental matters and other potential expenses and liabilities, and the effects of regulatory matters and

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changes, (ii) plans for future operating and capital expenditures and (iii) geological data relating to reserves, and the Trustee necessarily relies on ECA for all such information; and

- The Trustee necessarily relies upon the independent reserve engineer as an expert with respect to the annual reserve report, which includes projected production, operating expenses and capital expenses.

Other than reviewing the financial and other information provided to the Trust by ECA and the independent reserve engineer, the Trustee has made no independent or direct verification of this financial or other information.

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The Trustee does not intend to expand its responsibilities beyond those permitted or required by the Trust Agreement and those required under applicable law.

The Trustee does not expect that the Trustee's disclosure controls and procedures or the Trustee's internal control over financial reporting will prevent all errors or all fraud. Further, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

*Changes in Internal Control over Financial Reporting.* During the quarter ended September 30, 2014, there has been no change in the Trustee's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Trustee's internal control over financial reporting relating to the Trust. The Trustee notes for purposes of clarification that it has no authority over, and makes no statement concerning, the internal control over financial reporting of ECA.

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**PART II-OTHER INFORMATION**

**Item 1A. Risk Factors.**

Risk factors relating to the Trust are contained in Item 1A of the Trust's Annual Report on Form 10-K for the fiscal year ended December 31, 2013. No material change to such risk factors has occurred during the three months ended September 30, 2014.

**Item 6. Exhibits.**

The exhibits listed in the accompanying index to exhibits are filed as part of this Quarterly Report on Form 10-Q.

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**SIGNATURES**

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 thereunto duly authorized.

**ECA MARCELLUS TRUST I**

By: THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., trustee

By: /s/ SARAH NEWELL  
Sarah Newell  
*Vice President*

Date: November 7, 2014

The registrant, ECA Marcellus Trust I, has no principal executive officer, principal financial officer, board of directors or persons performing similar functions. Accordingly, no additional signatures are available, and none have been provided. In signing the report above, the Trustee does not imply that it has performed any such function or that such function exists pursuant to the terms of the Trust agreement under which it serves.

Table of Contents**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
3.1	Certificate of Trust of ECA Marcellus Trust I (Incorporated herein by reference to Exhibit 3.4 to Registration Statement on Form S-1 (Registration No. 333-165833))
3.2	Amended and Restated Trust Agreement of ECA Marcellus Trust I, dated July 7, 2010, by and among Energy Corporation of America, The Bank of New York Mellon Trust Company, N.A., as Trustee, and Corporation Trust Company, as Delaware Trustee. (Incorporated herein by reference to Exhibit 3.1 to the Trust's Current Report on Form 8-K filed on July 13, 2010 (File No. 001-34800))
10.1*	Perpetual Overriding Royalty Interest Conveyance (PDP), dated effective April 1, 2010, from Energy Corporation of America to The Bank of New York Mellon Trust Company, N.A., as Trustee.
10.2*	Perpetual Overriding Royalty Interest Conveyance (PUD), dated effective April 1, 2010, from Energy Corporation of America to The Bank of New York Mellon Trust Company, N.A., as Trustee.
10.3*	Private Investor Conveyance, dated July 7, 2010, by and among ECA Marcellus Trust I and certain private investors named therein
10.4*	Assignment of Royalty Interest, dated effective April 1, 2010, from Eastern Marketing Corporation to The Bank of New York Mellon Trust Company, N.A., as Trustee.
10.5*	Term Overriding Royalty Interest Conveyance (PDP), dated effective April 1, 2010, from Energy Corporation of America to Eastern Marketing Corporation.
10.6*	Term Overriding Royalty Interest Conveyance (PUD), dated effective April 1, 2010, from Energy Corporation of America to Eastern Marketing Corporation.
10.7*	Administrative Services Agreement, dated July 7, 2010, by and between Energy Corporation of America and The Bank of New York Mellon Trust Company, N.A., as Trustee
10.8*	Development Agreement, dated July 7, 2010, by and between Energy Corporation of America and The Bank of New York Mellon Trust Company, N.A., as Trustee.
10.9*	Swap Agreement, dated July 7, 2010, by and between Energy Corporation of America and ECA Marcellus Trust I.
10.10*	Drilling Support Lien Agreement, dated July 7, 2010, by and between Energy Corporation of America and The Bank of New York Mellon Trust Company, N.A.
10.11*	Royalty Interest Lien Agreement, dated July 7 2010, by and between Energy Corporation of America and The Bank of New York Mellon Trust Company, N.A., as Trustee.
10.12*	Registration Rights Agreement, dated July 7, 2010, by and among ECA Marcellus Trust I, Energy Corporation of America, and certain affiliates of Energy Corporation of America.
10.13	Underwriting Agreement dated as of June 30, 2010, by and among Energy Corporation of America, ECA Marcellus Trust I, and the underwriters named therein (Incorporated herein by reference to Exhibit 1.1 to the Trust's Current Report on Form 8-K filed on July 6, 2010 (File No. 001-34800)).
10.14	Underwriting Agreement dated as of April 12, 2011, by and among Energy Corporation of America, ECA Marcellus Trust I, and the underwriters named therein (Incorporated herein by reference to Exhibit 1.1 to the Trust's Current Report on Form 8-K filed on April 15, 2011 (File No. 001-34800)).
31	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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\*Exhibit previously filed with the SEC and incorporated herein by reference to the exhibit of like designation filed with the Trust's Current Report on Form 8-K filed on July 13, 2010 (File No. 001-34800).



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**APPENDIX A**

**GLOSSARY OF CERTAIN TERMS**

The following are definitions of certain significant terms used in this report. Other terms are defined in the text of this report.

*AMI* - The area of mutual interest, or AMI, consisted of the Marcellus Shale formation in approximately 121 square miles of property located in Greene County, Pennsylvania in which ECA had leased approximately 9,300 acres and owned substantially all of the working interests at the date of formation of the Trust. ECA was obligated to drill the 52 development wells from drill sites on approximately 9,300 leased acres in the AMI. Until ECA satisfied its drilling obligation on November 30, 2011, it was not permitted to drill and complete any well in the Marcellus Shale formation within the AMI for its own account.

*Basis* - The difference between the spot or cash price and the futures price of the same or related commodity. For natural gas, basis equals the local cash market price minus the price of the nearby NYMEX natural gas futures contract.

*Completion* - (or its derivatives) means that the well has been perforated, stimulated, tested and permanent equipment for the production of natural gas has been installed.

*Development Agreement* - An agreement under which ECA was obligated to drill all of the PUD Wells no later than March 31, 2014. In order to secure the estimated amount of the drilling costs for the Trust's interests in the PUD Wells, ECA granted to the Trust a lien on ECA's interest in the Marcellus Shale formation in the AMI, excluding the Producing Wells and any other wells which were producing and not subject to the Royalty Interests.

*Equivalent PUD Well* - is defined as a well that is drilled horizontally in the Marcellus formation for a lateral distance of 2,500 feet measured from the midpoint of the curve to the end of the lateral multiplied by the working interest held by ECA. Wells with a horizontal lateral less than 2,500 feet count as fractional wells in proportion to the total lateral length divided by 2,500 feet. Wells with a horizontal lateral greater than 2,500 feet (subject to a maximum of 3,500 feet) count as fractional wells in proportion to the total lateral length divided by 2,500 feet.

*Gas* - means natural gas and all other gaseous hydrocarbons, excluding condensate, butane, and other liquid and liquefiable components that are actually removed from the Gas stream by separation, processing, or other means.

*MMBtu* - One million British Thermal Units.

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*Mcf* - One thousand cubic feet of natural gas.

*MMcf* - One million cubic feet of natural gas.

*Producing Wells* - means the 14 natural gas wells located in Greene County, Pennsylvania and described as the *Producing Wells* in the Prospectus.

*Prospectus* - the prospectus dated July 1, 2010 and filed with the SEC pursuant to rule 424(b) on July 1, 2010 relating to the initial public offering of the Trust units.

*SEC* - means the United States Securities and Exchange Commission.

*Subject Gas* - means Gas from the Marcellus Shale formation from any Producing Well or PUD Well.

*Working Interest* - The right granted to the lessee of a property to explore for and to produce and own oil, gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.