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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 June 30, 2000

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 NO. 0-9092

CHENIERE ENERGY, INC.
(Exact name as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

95-4352386
(I. R. S. Identification No.)

1200 SMITH STREET, SUITE 1740
HOUSTON, TEXAS
(Address or principal place of business)

77002-4312
(Zip Code)

(713)659-1361
(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 [_].

As of August 10, 2000, there were 42,989,572 shares of Cheniere Energy, Inc. Common Stock, $.003 par value, issued and outstanding.

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CHENIERE ENERGY, INC.
INDEX TO FORM 10-Q

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CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

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ASSETS	June 30, 2000 (Unaudited)	December 31, 1999
<S>	<C>	<C>
CURRENT ASSETS		
Cash	$ 777,052	$ 1,175,950
Accounts Receivable	1,267,712	906,569
Debt Issuance Costs, net	70,687	138,909
Prepaid Expenses and Other Current Assets	1,183,925	1,223,864
Total Current Assets	3,299,376	3,445,292
OIL AND GAS PROPERTIES, full cost method		
Proved Properties, net	8,419,600	9,459,041
Unproved Properties, not subject to amortization	23,300,511	20,648,923
Total Oil and Gas Properties	31,720,111	30,107,964
FIXED ASSETS, net	859,906	928,019
Total Assets	$ 35,879,393	$ 34,481,275
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 2,501,427	$ 1,772,324
Notes Payable	3,639,515	4,963,213
Total Current Liabilities	6,140,942	6,735,537
STOCKHOLDERS' EQUITY		
Common Stock, $.003 par value Authorized: 60,000,000 shares Issued and Outstanding: 42,989,572 shares at June 30, 2000 and 40,212,473 shares at December 31, 1999	128,969	120,637
Preferred Stock, $.0001 par value Authorized: 5,000,000 shares Issued and Outstanding: none	--	--
Additional Paid-in-Capital	35,131,967	33,203,344
Accumulated Deficit	(5,522,485)	(5,578,243)
Total Stockholder's Equity	29,738,451	27,745,738
Total Liabilities and Stockholders' Equity	$ 35,879,393	$ 34,481,275

</TABLE>

The accompanying notes are an integral part of these financial statements

CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

<TABLE>
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	Three Months Ended June 30,	Six Months Ended June 30,

	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Revenues				
Oil and Gas Sales	$ 1,731,078	$ --	$ 2,904,683	$ --
Management Fees	373,333	--	603,333	--
Total Revenues	2,104,411	--	3,508,016	--
Operating Costs and Expenses				
Production Costs	114,008	--	195,733	--
Depreciation, Depletion and Amortization	1,070,390	10,982	1,996,347	21,326
General and Administrative Expenses	566,088	349,200	1,273,097	672,856
Total Operating Costs and Expenses	1,750,486	360,182	3,465,177	694,182
Income/(Loss) from Operations Before Interest and Income Taxes	353,925	(360,182)	42,839	(694,182)
Interest Income	4,210	5,298	12,919	10,192
Income/(Loss) From Operations Before Income Taxes	358,135	(354,884)	55,758	(683,990)
Provision for Income Taxes	--	--	--	--
Net Income/(Loss)	$ 358,135	$(354,884)	$ 55,758	$ (683,990)
Net Income/(Loss) Per Share - Basic	$ 0.01	$ (0.02)	$ 0.00	$ (0.03)
Net Income/(Loss) Per Share - Fully Diluted	$ 0.01	N/A	$ 0.00	N/A
Weighted Average Number of Shares Outstanding - Basic	42,938,450	23,464,488	41,904,063	21,503,556
Weighted Average Number of Shares Outstanding - Fully Diluted	54,227,795	N/A	52,735,906	N/A

</TABLE>

The accompanying notes are an integral part of these financial statements

CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

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	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			

<S>	<C>	<C>	<C>	<C>	<C>
Balance - December 31, 1998	18,973,749	$ 56,922	$ 20,084,928	$ (3,824,520)	$ 16,317,330
Issuance of Shares in Exchange for Notes	2,812,528	8,437	2,016,583		2,025,020
Repricing of Warrants to Extend Bridge Notes			35,702		35,702
Issuance of Shares in Exchange for Production Payment	584,475	1,753	398,247		400,000
Issuances of Stock	4,937,225	14,812	5,035,038		5,049,850
Expenses Related to Offerings			(288,299)		(288,299)
Net Loss				(683,990)	(683,990)
Balance - June 30, 1999	27,307,977	81,924	27,282,199	(4,508,510)	22,855,613
Balance - December 31, 1999	40,212,473	120,637	33,203,344	(5,578,243)	27,745,738
Issuances of Stock	2,777,099	8,332	2,098,168		2,106,500
Expenses Related to Offerings			(169,545)		(169,545)
Net Income				55,758	55,758
Balance - June 30, 2000	42,989,572	$ 128,969	$ 35,131,967	$ (5,522,485)	$ 29,738,451

</TABLE>

The accompanying notes re an integral part of these financial statements

CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ 55,758	$ (683,990)
Adjustments to Reconcile Net Loss to		
Net Cash Provided by (Used in) Operating Activities		
Depreciation, Depletion and Amortization	1,996,347	21,326
Non-Cash Expense (Issuance of Warrants)	100,000	--
	2,152,105	(662,664)
Changes inn Operating Assets and Liabilities		
Accounts Receivable	(361,143)	(555,868)
Subscriptions Receivable	--	500,000
Prepaid Expensed and Other Current Assets	(60,061)	(532,135)
Accounts Payable and Accrued Liabilities	729,103	2,102,163
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,460,004	851,496
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	(150,161)	(22,099)
Oil and Gas Property Additions	(3,340,221)	(4,741,545)
NET CASH USED IN INVESTING ACTIVITIES	(3,490,382)	(4,763,644)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Notes Payable or Advances	1,705,000	240,000
Repayment of Notes Payable or Advances	(3,028,698)	(240,000)
Sale of Common Stock	2,056,500	5,449,848
Offering Costs	(169,545)	(288,299)
Debt Issuance Costs	68,223	--
NET CASH PROVIDED BY FINANCING ACTIVITIES	631,480	5,161,549
NET INCREASE (DECREASE) IN CASH	(398,898)	1,249,401

CASH - BEGINNING OF PERIOD	1,175,950	143,868
CASH - END OF PERIOD	$ 777,052	$1,393,269

The accompanying notes are an integral part of these financial statements

NOTE 1 - BASIS OF PRESENTATION

The unaudited consolidated financial statements of Cheniere Energy, Inc. ("Cheniere" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation, have been included.

For further information, refer to the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999. Interim results are not necessarily indicative of results to be expected for the full fiscal year ended December 31, 2000.

Note 2 - Notes Payable

April 2000 - Bridge Financing

In April 2000, Cheniere completed the private placement of a $2,000,000 bridge financing facility. The maturity date of borrowings under the facility will be 120 days from the date of each borrowing. Interest is payable at maturity, calculated at a rate of LIBOR plus 2% per year. Financing costs related to the facility include a 2% placement fee and the issuance of warrants to purchase up to 1,000,000 shares of common stock at an exercise price of $1.00 per share. If a note issued under the facility remains unpaid at its maturity date, it is automatically converted into Cheniere common stock at a 35% discount to the then-current market price per share, with a minimum conversion price of $0.50 per share. As of June 30, 2000 Cheniere had borrowed $1,100,000 under the facility. Proceeds from the borrowings were used to fund the reprocessing of seismic data and for general corporate purposes.

September 1999 - Platform Financing

On September 1, 1999, Cheniere established a $3,100,000 financing facility to fund a production platform and other exploration and development costs in the West Cameron Block 49 area. Borrowings under the facility are to be repaid from Cheniere's share of net cash flow from production through the West Cameron Block 49 platform. The note is secured by Cheniere's oil and gas properties. Financing costs include interest at 10% per annum and a 5% net profit interest in the initial two wells producing through the platform. On February 29, 2000, Cheniere amended the loan agreement and borrowed an additional $605,000 under the facility to fund the recompletion of a producing well. At June 30, 2000, the outstanding balance under the facility was $2,539,515. The maturity date has been extended from June 30, 2000 to October 31, 2000.

December 1999 - Well Services Financing

In December 1999, Cheniere entered into a financing agreement with a supplier of well services to consolidate and convert trade accounts payable balances of $1,117,570 into a short-term secured note payable with interest payable at 10% per year. The note was secured by Cheniere's oil and gas properties. As of June 30, 2000, Cheniere had repaid the entire balance of the note.

December 1997 - Bridge Financing

In December 1997, Cheniere completed the private placement of a $4,000,000 bridge financing. On March 15, 2000, Cheniere repaid the outstanding balance, which totaled $755,000.

Note 3 - Common Stock and Warrants

In February and March 2000, the Company issued to three investors 1,492,000 units at a price of $0.75 per unit, each unit representing one share of common stock and one warrant to purchase a share of common stock. Warrants issued in connection with these sales of units are exercisable at a price of $1.00 per share on or before the second anniversary of the date the units were sold. These issuances were made in reliance on the exemption from registration provided by

Section 506 of Regulation D. Net proceeds were $1,020,000 after payment of $99,000 in selling commissions.

In March 2000, the Company issued to nine investors 937,500 shares pursuant to the exercise of warrants at an exercise price of $1.00 per share. These issuances were made in reliance on the exemption from registration provided by Section 506 of Regulation D. Net proceeds were $937,500.

Also in March 2000, Cheniere issued 66,667 shares of common stock to one company in exchange for $50,000 of geophysical consulting services. In April 2000, Cheniere issued 200,000 shares to a drilling company in connection with an adjustment to the price of shares previously issued for drilling services rendered. These issuances were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

In April 2000, Cheniere issued 80,932 units to ten existing stockholders pursuant to price adjustment provisions of their subscription agreements. These units represented 80,932 shares of common stock and warrants to purchase 40,466 shares of common stock at an exercise price of $1.50 per share on or before April 13, 2003. These issuances were made in reliance on the exemption from registration provided by Section 506 of Regulation D.

As a selling commission related to a 1999 private placement of securities, Cheniere issued to an individual in April 2000 warrants to purchase 100,000 shares of common stock at an exercise price of $1.50 per share on or before June 30, 2002.

Note 4 - Exploration Program

On March 10, 2000, the Company entered into an exploration agreement with an industry partner. Under the terms of the agreement, Cheniere's exploration partner acquired an option to participate at a 50% working interest level in any drilling prospects generated by Cheniere over the next eighteen months within a defined area of mutual interest in the Gulf of Mexico. Cheniere will receive a management fee of $4,140,000 payable in equal monthly installments over the eighteen-month term of the agreement. In addition, Cheniere's partner will pay a disproportionate share of the cost of leasing and of the initial test well on each prospect. Cheniere will be the operator of the drilling program. The management fee payments of $230,000 per month are allocated between revenues and oil and gas property costs based upon

the percentage of general and administrative expenses that the Company capitalizes as oil and gas property costs.

Note 5 - Related Party Transactions

In conjunction with certain of the Company's private placements of equity, placement fees have been paid to Investors Administration Services, Limited ("IAS"), a company in which the brother of the Company's Chairman, Charif Souki, is a principal. Placement fees totaling $99,000 were paid to IAS related to the private placement of units described in Note 3.

Note 6 - Commitments and Contingencies

In June 1999, Cheniere entered into a master license agreement covering the license of approximately 8,800 square miles of 3-D seismic data in the Gulf of Mexico. In connection with the license agreement, the Company has made a commitment to reprocess certain of the seismic data and to pay a fee for such reprocessing as the reprocessed data are delivered. Such deliveries commenced in the fourth quarter of 1999. If reprocessed seismic data are delivered to Cheniere on the schedule specified in the agreement, Cheniere is obligated to make processing payments of approximately $200,000 per month through December 2001. Accelerating the deliveries of reprocessed data could increase Cheniere's monthly obligation to as much as $500,000 per month.

In June 2000, Cheniere entered into an agreement whereby Cheniere acquired a license to 3D seismic data covering 1,900 square miles in the Gulf of Mexico in exchange for its commitment to fund the reprocessing of the data. Cheniere has committed to reprocess the data and estimates the cost of this reprocessing to be approximately $2,000,000, payable as the reprocessing is completed and delivered to Cheniere. Deliveries are expected to commence in October 2000 and to continue into the second quarter of 2001. Cheniere has an option to expand the agreement to cover an additional 3,000 square miles.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent to June 30, 2000, Cheniere borrowed $500,000 under its bridge financing facility. The Company used the proceeds of this borrowing to fund a deposit into an escrow account for its share of the estimated costs of a well which will commence drilling in August 2000 and for general corporate purposes.

In July 2000, the Company granted options to employees to purchase 1,716,000 shares of common stock at an exercise price of $0.6875 per share, the closing market price on the date of grant. The options vest 25% per year, beginning on the first anniversary of the grant date and have a term of five years.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company's unaudited consolidated financial statements and notes thereto relate to the three-month and six-month periods ended June 30, 2000 and 1999. These statements, the notes thereto and the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999 contain detailed information that should be referred to in conjunction with the following discussion.

PRODUCTION AND PRODUCT PRICES

For the three months ended June 30, 2000, Cheniere produced 510,942 mcf of natural gas at an average price of $3.49 per mcf and 1,667 barrels of condensate at an average price of $29.22 per barrel. For the six months ended June 30, 2000, Cheniere produced 947,175 mcf of natural gas at an average price of $3.14 per mcf and 3,360 barrels of condensate at an average price of $28.93 per barrel. Cheniere had no production in the six months ended June 30, 1999.

RESULTS OF OPERATIONS

COMPARISON OF THREE-MONTH PERIODS ENDED JUNE 30, 2000 AND 1999 - The Company's operating results for the three months ended June 30, 2000 reflect net income of $358,135 or $0.01 per share (basic and fully diluted) compared to a loss of $354,884, or $0.02 per share, a year earlier.

In the second quarter of 2000, Cheniere recorded revenues of $2,104,411 compared to nil in the comparable period of 1999. Cheniere began producing oil and gas in September 1999. The Company also began receiving a management fee in March 2000 under the terms of an exploration agreement with an industry partner. Production costs totaled $114,008 for the 2000 quarter.

Depreciation, depletion and amortization of oil and gas property costs commenced in September 1999 and totaled $958,541 for the 2000 quarter. Depreciation of fixed assets increased to $111,849 in the first half of 2000, compared to $10,982 a year earlier, as a result of Cheniere's mid-1999 expansion of its technological staff and the acquisition of workstations, related computer equipment and software to execute the Company's exploration program.

General and administrative ("G&A") expenses increased to $566,088 in the three months ended June 30, 2000 compared to $349,200 reported for the comparable period in 1999. In mid-1999, Cheniere licensed 8,800 additional square miles of 3-D seismic data and it has increased the number of its employees and consultants from 9 to 27, adding management and exploration professionals to exploit the expanded 3-D database. As a result, salaries, benefits and consulting expenses increased to $648,409 for the 2000 quarter, compared with $296,080 a year earlier. Investor relations and travel expenses increased to $88,204 in the 2000 quarter from $30,003 in the 1999 quarter as Cheniere engaged outside consultants to assist in broadening investor interest in the Company. Other G&A expenses increased to $266,475 in the 2000 quarter, compared to $180,117 a year earlier due to the increased activity level of the Company. Cheniere capitalizes as oil and gas property costs that portion of G&A expenses which relates to its exploration and

development activities. Cheniere capitalized $437,000 of such G&A expenses in the 2000 quarter and $157,000 in the 1999 quarter.

COMPARISON OF SIX-MONTH PERIODS ENDED JUNE 30, 2000 AND 1999 - The Company's operating results for the six months ended June 30, 2000 reflect net income of $55,758 or $0.00 per share (basic and fully diluted) compared to a loss of $683,990, or $0.03 per share, a year earlier. Net cash flow from operations (before changes in operating assets and liabilities) increased to $2,152,105 for the first six months of 2000 from a deficit of $662,664 in the first half of 1999.

In the first six months of 2000, Cheniere recorded revenues of $3,508,016 compared to nil in the comparable period of 1999. Cheniere began producing oil and gas in September 1999. The Company also began receiving a management fee in March 2000 under the terms of an exploration agreement with an industry partner. Production costs totaled $195,733 for the 2000 period.

Depreciation, depletion and amortization of oil and gas property costs commenced in September 1999 and totaled $1,778,074 for the first half of 2000.

Depreciation of fixed assets increased to $218,273 in the 2000 quarter, compared to $21,326 a year earlier, as a result of Cheniere's mid-1999 expansion of its technological staff and the acquisition of workstations, related computer equipment and software to execute the Company's exploration program.

General and administrative ("G&A") expenses increased to $1,273,097 in the six months ended June 30, 2000 compared to $672,856 reported for the comparable period in 1999. In mid-1999, Cheniere licensed 8,700 additional square miles of 3-D seismic data and it has increased the number of its employees and consultants from 9 to 27, adding management and exploration professionals to exploit the expanded 3-D database. As a result, salaries, benefits and consulting expenses increased to $1,225,981 for the first half of 2000, compared with $523,100 a year earlier. Investor relations and travel expenses increased to $286,473 in the 2000 period from $40,803 in the 1999 period as Cheniere engaged outside consultants to assist in broadening investor interest in the Company. Included in 2000 investor relations expenses are $100,000 of non-cash costs related to warrants issued to the Company's outside consultants. Other G&A expenses increased to $563,643 for the first half of 2000 from $380,953 a year earlier as a result of the Company's increased level of activity. Cheniere capitalizes as oil and gas property costs that portion of G&A expenses which relates to its exploration and development activities. Cheniere capitalized $803,000 of such G&A expenses in the first half of 2000 and $272,000 in the comparable period in 1999.

LIQUIDITY AND CAPITAL RESOURCES

General - The Company anticipates that future liquidity requirements, including repayment of $3,639,515 in short-term notes payable, payments of $2,000,000 and approximately $200,000 per month through December 2001 for future deliveries of reprocessed 3-D seismic data, exploration and development activities within its 3-D exploration program, other oil and gas activities and general corporate requirements will be met by a combination of: cash balances, cash flow from operations, the sale of equity, further borrowings, and/or the sale of interests in its 3-D exploration program or in the prospects generated thereunder. At this time, no assurance can be given that such further sales of equity, future borrowings, or sales of interests in the 3-D

exploration program or in the prospects generated thereunder will be accomplished.

Funds Raised in 2000 - During the six months ended June 30, 2000, Cheniere has generated funds from the following sources: $1,886,995 (net of offering costs of $169,545) through the sale of equity securities and the exercise of warrants, $2,152,105 in net cash flow from operations (before changes in operating assets and liabilities), $605,000 through additional borrowing under the financing facility which the Company established in September 1999 and $1,100,000 in borrowings under a bridge financing facility.

Exploration Agreement - On March 10, 2000, the Company entered into an exploration agreement with an industry partner. Under the terms of the agreement, Cheniere's exploration partner acquired an option to participate at a 50% working interest level in any drilling prospects generated by Cheniere over the next eighteen months within a defined area of mutual interest in the Gulf of Mexico. Cheniere receives a management fee of $4,140,000 payable in equal monthly installments over the eighteen-month term of the agreement. In addition, Cheniere's partner pays a disproportionate share of the cost of leasing and of the initial test well on each prospect. Cheniere will be the operator of the drilling program. The management fee payments of $230,000 per month are allocated between revenues and oil and gas property costs based upon the percentage of general and administrative expenses that the Company capitalizes as oil and gas property costs.

Notes Payable Activity - In April 2000, Cheniere completed the private placement of a $2,000,000 bridge financing facility. The maturity date of borrowings under the facility will be 120 days from the date of each borrowing. Interest is payable at maturity, calculated at a rate of LIBOR plus 2% per year. Financing costs related to the facility include a 2% placement fee and the issuance of warrants to purchase up to 1,000,000 shares of common stock at $1.00 per share. If a note remains unpaid at the maturity date, it is automatically converted into Cheniere common stock at a 35% discount to the then current market price per share, with a minimum conversion price of $0.50 per share. As of June 30, 2000 Cheniere had drawn $1,100,000 under the facility. Proceeds from the borrowings were used to fund the reprocessing of seismic data and for general corporate purposes. Subsequent to June 30, 2000, Cheniere borrowed an additional $500,000 under the facility.

On September 1, 1999, Cheniere established a $3,100,000 financing facility to fund a production platform and other exploration and development costs in the West Cameron Block 49 area. Borrowings under the facility are to be repaid from Cheniere's share of net cash flow from production through the West Cameron Block 49 platform. The note is secured by Cheniere's oil and gas properties. Financing costs include interest at 10% per annum and a 5% net profit interest in the initial two wells producing through the platform. On February 29, 2000, Cheniere amended the loan agreement and borrowed an additional $605,000 under the facility to fund the recompletion of a producing well. At June 30, 2000, the outstanding balance under the facility was $2,539,515. The maturity date was extended from June 30, 2000 to October 31, 2000.

In December 1999, Cheniere entered into a financing agreement with a supplier of well services to consolidate and convert trade accounts payable balances of $1,117,570 into a short-term secured note payable. Interest was payable at 10% per annum. The note was secured by Cheniere's oil and gas properties and matured on July 5, 2000. At June 30, 2000, the outstanding balance, including accrued interest, had been paid in full.

In December 1997, Cheniere completed the private placement of a $4,000,000 bridge

financing. On March 15, 2000, Cheniere repaid the remaining balance, which totaled $755,000.

Seismic Reprocessing Commitments - In June 1999, Cheniere entered into a master license agreement covering the license of approximately 8,800 square miles of 3-D seismic data in the Gulf of Mexico. In connection with the license agreement, the Company has made a commitment to reprocess certain of the seismic data and to pay a fee for such reprocessing as the reprocessed data are delivered. Such deliveries commenced in the fourth quarter of 1999. If reprocessed seismic data are delivered to Cheniere on the schedule specified in the agreement, Cheniere is obligated to make processing payments of approximately $200,000 per month through December 2001. Accelerating the deliveries of reprocessed data could increase Cheniere's monthly obligation to as much as $500,000 per month.

In June 2000, Cheniere entered into an agreement whereby Cheniere acquired a license to 3D seismic data covering 1,900 square miles in the Gulf of Mexico in exchange for its commitment to fund the reprocessing of the data. Cheniere has committed to reprocess the data and estimates the cost of this reprocessing to be approximately $2,000,000, payable as the reprocessing is completed and delivered to Cheniere. Deliveries are expected to commence in October 2000 and to continue into the second quarter of 2001. Cheniere has an option to expand the agreement to cover an additional 3,000 square miles.

Sales of Equity Securities - In February and March 2000, the Company issued 1,492,000 units at a price of $0.75 per unit, each unit representing one share of common stock and one warrant to purchase a share of common stock. Warrants issued in connection with these sales of units are exercisable at a price of $1.00 per share on or before the second anniversary of the date the units were sold. Net proceeds were $1,020,000 after payment of $99,000 in selling commissions. In March 2000, the Company issued 937,500 shares pursuant to the exercise of warrants at an exercise price of $1.00 per share, generating net proceeds of $937,500. Also in March 2000, Cheniere issued 66,667 shares of common stock in exchange for $50,000 of geophysical consulting services. In April 2000, Cheniere issued 200,000 shares to a drilling company in connection with an adjustment to the price of shares previously issued for drilling services rendered. Also in April 2000, Cheniere issued 80,932 units to existing stockholders pursuant to price adjustment provisions of their subscription agreements. These units represented 80,932 shares of common stock and warrants to purchase 40,466 shares of common stock at an exercise price of $1.50 per share on or before April 13, 2003.

Cash Flow from Operations - Cheniere commenced production of oil and gas in September 1999. Cash flow from operations (before changes in operating assets and liabilities) for the six months ended June 30, 2000 totaled $2,152,105, including $603,333 in management fee income related to the exploration agreement executed in March 2000.

Nasdaq Listing - Cheniere has received a notice from The Nasdaq Stock Market stating that the Company is not presently in compliance with certain requirements related to the listing of its shares on the The Nasdaq SmallCap Market. Specifically, the market price of the Company's common stock has fallen below $1.00 per share. Cheniere expects to appeal any decision by Nasdaq to remove it from listing, and there will be no change in Cheniere's listing pending completion of the appeal process. Cheniere is not able to predict the timing of the appeal process, which could take from late August through the end of the year. If the common stock is removed from listing on The Nasdaq SmallCap Market, Cheniere believes it will be eligible for inclusion and continued trading on the OTC Bulletin Board system.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to its stockholders.

All statements, other than statements of historical facts so included in this report that address activities, events or developments that the Company intends, expects, projects, believes, or anticipates will or may occur in the future are forward-looking statements within the meaning of the Act, including, without limitation: statements regarding the Company's business strategy, plans and objectives; statements expressing beliefs and expectations regarding the ability of the Company to successfully raise the additional capital necessary to meet the obligations under its 3-D seismic master license agreement, the ability of the Company to secure the leases necessary to facilitate anticipated drilling activities and the ability of the Company to attract additional working interest owners to participate in its exploration and development activities. These forward-looking statements are, and will be, based on management's then current views and assumptions regarding future events.

FACTORS THAT MAY IMPACT FORWARD-LOOKING STATEMENTS OR FINANCIAL PERFORMANCE

The following are some of the important factors that could affect the Company's financial performance or could cause actual results to differ materially from estimates contained in the Company's forward-looking statements.

-- The Company's ability to generate sufficient cash flows to support capital expansion plans, obligations to repay debt and general operating activities.

-- The Company's ability to obtain additional financing from lenders, through debt or equity offerings, or through sales of a portion of its interest in prospects.

-- The Company's ability to encounter hydrocarbons in sufficient quantities to be economically viable, and its ability to overcome the operating hazards which are inherent in the oil and gas industry and which are intensified by the Company's concentration of its producing oil and gas assets in few properties.

-- Changes in laws and regulations, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws in domestic or foreign jurisdictions.

-- The uncertainties of litigation as well as other risks and uncertainties detailed from time to time in the Company's Securities and Exchange Commission filings.

The foregoing list of important factors is not exclusive.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

PART II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

The information contained in Notes 2, 3 and 5 to the Consolidated Financial Statements is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company held an annual meeting of its stockholders on July 12, 2000. The following individuals, were elected to the Board of Directors: Emanuel Batler, Nuno Brandolini, Michael L. Harvey, Kenneth R. Peak, Charles M. Reimer, Charif Souki and Walter L. Williams. In addition to the election of Directors, the following matters were submitted to a vote and approved by stockholders: the amendment of the Company's 1997 Stock Option Plan to increase the number of shares subject to the plan from 1,950,000 to 6,000,000; the Amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock, par value of $.003 per share, to 120,000,000 shares; and the ratification and approval of the appointment of PricewaterhouseCoopers LLP as independent accountants for the year ended December 31, 2000. There were 42,989,572 shares of common stock outstanding and eligible to vote as of the record date of May 26, 2000. The results of voting on these matters is summarized in the following table:

	Votes	Abstentions or

Description	Votes For	Against	Broker Non-Votes
Emanuel Batler	31,579,866	- 0 -	198,655
Nuno Brandolini	31,579,866	- 0 -	198,655
Michael L. Harvey	31,579,866	- 0 -	198,655
Kenneth R. Peak	31,579,866	- 0 -	198,655
Charles M. Reimer	31,579,866	- 0 -	198,655
Charif Souki	31,579,866	- 0 -	198,655
Walter L. Williams	31,579,866	- 0 -	198,655
Amend Stock Option Plan	20,787,857	856,279	10,134,388
Increase Authorized Shares	30,985,587	15,689	101,450
Independent Accountants	31,696,392	51,850	30,279

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Each of the following exhibits is incorporated by reference or filed herewith:

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. ("Cheniere") (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 1999)
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 1999)
3.3	By-laws of Cheniere as amended through April 7, 1997 (Incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K filed on March 29, 1999 (File No. 0-9092))
10.39	Seismic Data Purchase Agreement dated June 21, 2000 between Seitel Data and Cheniere. Certain information in this exhibit has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.
27.1	Financial Data Schedule

(b) Current Reports on Form 8-K: None.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHENIERE ENERGY, INC.

/s/ Don A. Turkleson

Don A. Turkleson
Chief Financial Officer (on behalf of the registrant and as principal accounting officer)

Date: August 10, 2000

EXHIBIT 10.39

[*] CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

(SEITEL LETTERHEAD)

CONTRACT #00-06-009 JEM

June 21, 2000

Cheniere Energy, Inc.
Two Allen Center
1200 Smith Street, Suite 1740
Houston, TX 77002-4312

Attention: Mr. Ron Krenzke

Re: Seismic Data Purchase Agreement - Offshore Gulf of Mexico, owned proprietarily by Seitel Data Ltd.

Dear Mr. Krenzke:

Pursuant to Cheniere Energy, Inc.'s interest in purchasing a non-exclusive license to certain geophysical data owned proprietarily by Seitel Data Ltd. Located in the Gulf of Mexico, we are pleased to present the following proposal.

1. Seitel Data Ltd. (hereinafter referred to as "SDL") will allow Cheniere Energy Inc. (hereinafter referred to as "CHENIERE") to purchase a non-exclusive license to certain 3D geophysical data owned proprietarily by SDL, more particularly delineated on Exhibit "A", provided CHENIERE commits to such purchase under terms and conditions specified in paragraph 2-9 below prior to 4:00 PM on JUNE 30, 2000. At such time, this offer expires and the terms delineated herein are subject to change at SDL'S sole discretion.

2. SDL will allow CHENIERE to purchase a non-exclusive license to a minimum of 210.526 OCS BLOCKS at a minimum initial cost of [*] per block, for a total initial purchase price, excluding normal and customary reproduction and tape copy charges, of [*]. Selection of blocks to license in excess of the minimum of 210.526 shall be invoiced at the same rate of [*] per block. Additional selections must be in 50 block minimums or entire survey, whichever is less. The license fee of [*] per block shall equal [*].

   CHENIERE agrees to accept an invoice for said purchase dated JUNE 30, 2000 and to make payment to SDL as follows: [*].

3. CHENIERE agrees to execute SDL'S 2D & 3D Onshore/Offshore Master Seismic Data Participation and Licensing Agreement and supplement for all data received under terms and conditions of this agreement. To the extent that the terms of this Supplement conflict

with the terms of the Master Agreement, the terms of this Supplement shall govern and control.

4. CHENIERE agrees to pay reproduction and tape copy charges on all data received under terms and conditions of this agreement at cost. CHENIERE will be invoiced separately for all normal and customary reproduction, shipping, handling and tape copy charges for all data received under terms and conditions of this agreement with payment due within thirty (30) days of receipt of each particular invoice.

5. The Data shall be identified on Exhibit "A" attached hereto. For a term expiring two (2) years from the date hereof (the "Reprocessing Term"), CHENIERE shall have the right from time to time to cause the Data identified by CHENIERE in any supplement to the Master Agreement to be reprocessed (the "Reprocessed Data") by a third party processor (the "Processor") selected by CHENIERE utilizing processing parameters and procedures mutually established by CHENIERE and SDL. [*]. Any work product generated by or on behalf of CHENIERE as a result of analyzing and/or interpreting the Reprocessed Data shall be referred to as the "Cheniere Data Products" and shall be owned exclusively by CHENIERE.

6. CHENIERE shall by submission of any executed Supplement Agreement from time to time during the Reprocessing Term advise SDL of the data which

CHENIERE designates to be reprocessed. CHENIERE shall own an exclusive license on such Reprocessed Data, with exception of currently committed areas of overlap, for a term commencing on the date of receipt by CHENIERE of the Reprocessed Data and expiring as to each tract of land covered by such Reprocessed Data five (5) business days after the last day of the first public lease auction or sale on such tract, whether state or federal, or where applicable both, held after the expiration of three (3) months following the date on which the Reprocessed Data is received by Cheniere (the "Exclusive Data Review Termination Date"). Following the Exclusive Data Review Termination Date, (i) CHENIERE shall continue to have a non-exclusive license for the remaining term of this Agreement on the Data, including the Reprocessed Data; and (ii) SDL shall have the right to sell, trade or otherwise dispose of such Data and Reprocessed Data to such third parties on such terms as desired by SDL in its absolute and sole discretion.

7. SDL recognizes that CHENIERE intends to secure industry partners to assist in the project. CHENIERE shall be entitled to designate up to one (1) party to participate with CHENIERE per area as shown on Exhibit "A" or in the entire project and receive license identical in form to CHENIERE'S license on all Data and Reprocessed Data. [*]. All interests acquired by any such partners shall be assigned expressly subject to the terms of this Agreement. At such time when CHENIERE secures an industry partner(s), CHENIERE must notify SDL in writing of the recipient to receive the additional license. This additional license is contingent upon CHENIERE'S partner(s) executing SDL's 2D & 3D Onshore/Offshore Master Seismic Data Participation and Licensing Agreement.

8. As additional consideration for the rights granted under this Agreement, CHENIERE agrees that SDL shall be entitled to receive [*].

9. CHENIERE agrees not to discuss the terms and conditions of this agreement with anyone not an employee of CHENIERE or SDL.

Should you be in agreement with the terms and conditions delineated above, please indicate so by signing in the space provided below and returning one fully executed copy to SDL.

Thank you for your consideration of this proposal. Should you have any questions, please feel free to contact me at (713) 881-8900.

Respectfully,
Seitel Data Ltd.

(s) Robert J. Simon
- -------------------
Executive Vice President

CHENIERE ENERGY, INC. agrees to purchase an individual license to certain geophysical data owned proprietarily by Seitel Data Ltd. Under terms and conditions delineated in paragraphs 1-9 above.

By: (s) R. A. Krenzke

Cheniere Energy, Inc.

Title: EVP Exploration

Date: 6/30/00

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