SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 11, 2000

Cheniere Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

0-9092	95-4352386
(Commission File Number)	(IRS Employer Identification No.)

Two Allen Center 1200 Smith Street, Suite 1740 Houston, Texas	77002-4312
(Address of principal executive office)	(Zip code)

Registrant's telephone number, including area code: (713) 659-1361

None

(Former name or former address, if changed since last report)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS AND ITEM 5. OTHER EVENTS.

On October 11, 2000, Cheniere consummated an agreement with Warburg, Pincus Equity Partners, L.P., a private equity fund based in New York ("Warburg"), to fund the exploration program on the Company's 3-D seismic database covering approximately 8,800 square miles in the shallow water of the Gulf of Mexico licensed from Fairfield Industries. Pursuant to the Contribution and Subscription Agreement, Cheniere and Warburg formed and funded a newly formed corporation, Gryphon Exploration Company ("Gryphon"). Cheniere contributed the 3-D seismic database licensed from Fairfield Industries, the prospects generated thereon, certain offshore leases, its prospect currently being drilled in the West Cameron area of Louisiana, its Joint Exploration Agreement with Samson Offshore Company and certain other assets in exchange for 100 percent of the common stock of Gryphon and $2 million in cash. The Company's interest in Gryphon will be held by a wholly-owned subsidiary. Warburg contributed approximately $25,000,000 in cash in exchange for preferred stock of Gryphon with an 8 percent accrued dividend that is convertible into 63.2% of Gryphon's common stock. Warburg's shares of preferred stock will vote on an as converted basis. Cheniere and Gryphon also agreed under certain circumstances to contribute to Gryphon their pro rata portion of an additional $75 million. The consideration paid by the Company and Warburg for the shares of common stock and preferred stock, respectively, was negotiated at arm's length between the parties on the basis of the Company's and Warburg's assessment of the value of the assets contributed by the Company.

In connection with the consummation of the contributions to Gryphon, Cheniere, Gryphon and the other stockholders of Gryphon entered into a Stockholders Agreement related to the voting and transfer of shares of Gryphon common stock and preferred stock. Pursuant to the terms of the Shareholder's Agreement, the Company has the right to nominate two members of Gryphon's five-person board of directors.

Also in connection with this transaction, Michael L. Harvey became a director, chairman and chief executive officer of Gryphon and resigned as director, president and chief executive officer of Cheniere.

In addition to a 36.8% interest in Gryphon, Cheniere will maintain ownership of its currently producing oil and gas properties with reserves valued at $12.1 million as of June 30, 2000, its proprietary 3-D seismic data set in the Cameron area of Louisiana, a license to 1,900 square miles of 3-D seismic data recently acquired from Seitel Data Ltd. and the option to license an additional 3,100 square miles of data from Seitel.

Attached hereto as Exhibit 99.1 and incorporated by reference herein is certain information regarding the above described transaction as presented in a press release dated October 12, 2000.

ITEM 5. OTHER EVENTS

The Company elected Charles M. Reimer to serve as president and chief executive officer of the Company. Mr. Reimer has most recently served as president of British-Borneo USA Inc.

in Houston. Prior to joining British Borneo in November 1998, Mr. Reimer served as chairman and CEO of Virginia Indonesia Company (VICO), the operator on behalf of Union Texas Petroleum Holdings Inc. and LASMO plc, of major gas and oil reserves and production located in East Kalimantan, Indonesia. Mr. Reimer began his career with Exxon Company USA in 1967 and held various professional and management positions in Texas and Louisiana. After leaving Exxon in 1985, Mr. Reimer was named president of Phoenix Resources Company and relocated to Cairo, Egypt, to begin eight years of international assignments. Attached hereto as Exhibit 99.2 and incorporated herein is certain information regarding Mr. Reimer and his election as presented in a press release dated October 17, 2000.

On October 16, 2000, the Company's shareholders approved, and the Company effected a 1-for-4 reverse stock split. Attached hereto as Exhibit 99.3 and incorporated by reference herein is certain information regarding such reverse stock split as presented in a press release dated October 17, 2000.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

c) Exhibits.

10.1 Contribution and Subscription Agreement dated October 11, 2000, by and among the Company, Gryphon Exploration Company and the other investors listed therein

10.2 Stockholders Agreement dated October 11, 2000

10.3 Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock of Gryphon Exploration Company

99.1 Press Release entitled "Cheniere Energy Closes $25,000,000 Funding With Warburg Pincus" dated October 12, 2000

99.2 Press Release entitled "Cheniere Energy Inc. Names New President" dated September 19, 2000

99.3 Press Release entitled "Cheniere Energy Shareholders Approve 1-for-4 Reverse Stock Split" dated October 17, 2000

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 hereunto duly authorized.

CHENIERE ENERGY, INC.
(Registrant)

By: /s/ Don A. Turkleson

Don A. Turkleson
Chief Financial Officer, Treasurer and Secretary

Date: October 20, 2000

EXHIBIT 10.1

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- ---

GRYPHON EXPLORATION COMPANY

Preferred Stock and Common Stock

CONTRIBUTION AND SUBSCRIPTION AGREEMENT

Dated as of September 15, 2000

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- ---

GRYPHON EXPLORATION COMPANY
Contribution and Subscription Agreement

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GRYPHON EXPLORATION COMPANY

CONTRIBUTION AND SUBSCRIPTION AGREEMENT

This CONTRIBUTION AND SUBSCRIPTION AGREEMENT dated as of September 15, 2000 (this "Agreement"), is entered into by and among Gryphon Exploration Company, a Delaware corporation (the "Company"), and each of the other parties executing this Agreement as of the date hereof (collectively, the "Investors").

WHEREAS, subject to terms and conditions of this Agreement, Cheniere Energy, Inc. ("CHEX") has agreed to contribute certain assets to the Company in exchange for the issuance of Common Stock of the Company to Cheniere-Gryphon Management, Inc. ("CHEX Sub"), as designee of CHEX, and the assumption of certain liabilities by the Company;

WHEREAS, subject to the terms and conditions of this Agreement, WPEP and the Management Investors (each as defined herein) have agreed to contribute cash to the Company in exchange for Preferred Stock of the Company; and

WHEREAS, the parties hereto agree that the contributions contemplated by the foregoing clauses are intended to constitute a transaction described in Section 351(a) of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. For the purpose of this Agreement, and in addition to terms defined elsewhere in this Agreement, the following terms shall have the following meanings. In addition, all terms of an accounting character not specifically defined herein shall have the meanings assigned thereto by the Financial Accounting Standards Board and generally accepted accounting principles.

"Additional Capital Contribution" shall have the meaning set forth in Section 2(c) hereof.

"Affiliate" shall have the meaning set forth in the Stockholders Agreement.

"Agreement" shall mean this Contribution and Subscription Agreement dated as of September 15, 2000.

"Approvals" shall mean any approvals, authorizations, grants of authority, consents, orders, qualifications, permits, licenses, variances, exemptions, franchises, concessions, certificates, filings or registrations or any waivers of the foregoing, or any notices, statements or other communications required to be filed with, delivered to or obtained from any Governmental Entity or any other Person.

"Assumed Liabilities" shall mean the obligations of CHEX to be assumed by the Company, as set forth in Appendix 2(a)(ii) hereto, and any other liabilities expressly defined as Assumed Liabilities elsewhere in this Agreement.

"Board" means the board of directors of the Company.

"Business Day" shall mean any day which is not a Saturday, Sunday or day on which banks are authorized by law to close in the State of Texas.

"Call Closing Date" shall have the meaning set forth in Section 2(d) hereof.

"Call Notice" shall have the meaning set forth in Section 2(d) hereof.

"CHEX" shall mean Cheniere Energy, Inc.

"CHEX Change of Control" shall have the meaning set forth in the Stockholders Agreement.

"CHEX Notes" shall have the meaning set forth in Section 2(a) hereof.

"CHEX Sub" shall mean Cheniere-Gryphon Management, Inc.

"Closing" shall mean the Initial Closing or any Subsequent Closing.

"Closing Date" shall mean the Initial Closing Date or any Subsequent

Closing Date.

"Commission" shall mean the United States Securities and Exchange Commission.

"Common Stock" means the common stock, par value $0.01 per share, of the Company.

"Company" shall mean Gryphon Exploration Company

"Contracts" shall have the meaning set forth in Section 8(k) hereof.

"Contributed Assets" shall mean the assets to be contributed by CHEX as set forth in Appendix 2(a)(i) hereto and any other assets expressly defined as Contributed Assets elsewhere in this Agreement.

"Contribution" shall have the meaning set forth in Section 2(a)(i) hereof.

"Customary Filings" shall mean rights to consent which require notices to, filings with, or other actions by Governmental Entities in connection with the sale or conveyance of oil and gas leases or interests therein if they are customarily obtained subsequent to the sale or conveyance.

"Defensible Title" shall mean title in and to the Contributed Assets that, subject to Permitted Encumbrances:

(a) entitles CHEX or, after the Initial Closing, the Company to receive throughout the duration of the productive life of any lease (after satisfaction of all royalties, overriding royalties, nonparticipating royalties, net profits interests or other similar burdens on or measured by production of oil and gas), not less than the "net revenue interest" share shown in Appendix 2(a)(i) of all oil, gas and/or other minerals produced, saved and marketed from such lease except for prospective decreases in connection with those operations in which CHEX or, after the Initial Closing, the Company may be a non-consenting co-owner, prospective decreases resulting from the establishment or amendment of pools or units, and except as otherwise set forth on Appendix 2(a)(i);

(b) obligates CHEX or, after the Initial Closing, the Company to bear a percentage of the costs and expenses for the maintenance and development of, and operations relating to, such lease not greater than the "working interest" shown in Appendix 2(a)(i) without increase throughout the productive life thereof, except as stated in Appendix 2(a)(i) and except increases resulting from contribution requirements with respect to defaulting co-owners under applicable operating agreements and increases that are accompanied by at least a proportionate increase in CHEX's or, after the Initial Closing, the Company's net revenue interest; and

(c) is free and clear of Liens, encumbrances, obligations or defects, other than the Permitted Encumbrances.

"Director" means any member of the Board of the Company.

"Effective Date" means August 1, 2000.

"Eligible Investors" shall have the meaning set forth in Section 2(c) hereof.

"Environmental Laws" shall mean all federal, state and local laws and regulations relating to pollution or protection of human health or the environment, including without limitation, laws relating to Releases or threatened Releases of Hazardous Materials into the indoor or outdoor environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, disposal, transport or handling of Hazardous Materials and all laws and regulations with regard to record keeping, notification, disclosure and reporting requirements respecting Hazardous Materials.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded Liabilities" shall have the meaning set forth in Section 2(a)(iii) hereof.

"Fairfield" means Fairfield Industries Incorporated.

"Fairfield Agreement" means that certain Master License Agreement, dated June 9, 1999, between Fairfield and CHEX, as supplemented from time to time.

"Fully-Diluted Common Stock" shall have the meaning set forth in the Stockholders Agreement.

"Governmental Entity" shall mean any court or tribunal in any jurisdiction (domestic or foreign) or any public, governmental, or regulatory body, agency, department, commission, board, bureau or other authority or instrumentality (domestic or foreign).

"Hazardous Materials" shall mean all substances defined as Hazardous Substances, Oil, Pollutants or Contaminants in the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. (S) 300.5, or defined as such by, or regulated as such under, any Environmental Law, including without limitation, PCBs, mercury and NORM, or which otherwise may be the basis for any person (including, without limitation, any federal, state, local or foreign government, and natural persons) to require cleanup, removal, treatment or remediation.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indebtedness" shall mean any obligation for borrowed money (including notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money).

"Initial Closing" shall have the meaning set forth in Section 2(h)(i) hereof.

"Initial Closing Date" shall have the meaning set forth in Section 2(h)(i) hereof.

"Initial Option Grants" shall have the meaning set forth in Section 3(a)(viii) hereof.

"Investment Company Act" shall mean the Investment Company Act of 1940, as amended.

"Investors" shall mean CHEX, the Eligible Investors and the Management Investors.

"Key Geologists/Geophysicists" shall means those Persons marked with an asterisk on Appendix 3(a)(ix) hereto.

"Law" shall mean any statute, law, rule or regulation or any judgment, order, writ, injunction or decree of any Governmental Entity.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement or like instrument under the laws of any jurisdiction).

"Management Agreements" shall mean the Management Employment Agreements and

the Management Purchase Agreement.

"Management Employment Agreements" shall have the meaning set forth in Section 3(a)(x) hereof.

"Management Investors" shall mean Michael Harvey and Ron Krenzke.

"Material Adverse Change" shall mean any change, event or occurrence which has a Material Adverse Effect.

"Material Adverse Effect" shall mean any material adverse effect on the business, properties, prospects, assets or condition, financial or otherwise, of the Company and its subsidiaries, taken as a whole, or, with respect to the Initial Closing, on the Contributed Assets.

"MDCK" shall mean Mayor, Day, Caldwell & Keeton, L.L.P., counsel to CHEX.

"Officer's Certificate" shall mean a certificate signed in the name of the Company, by an officer of the Company.

"Participation Notice" shall have the meaning set forth in Section 2(e) hereof.

"Person" shall have the meaning set forth in the Stockholders Agreement.

"Permits" shall mean licenses, permits, variances, exemptions, orders, franchises, approvals and other authorizations of or from Governmental Entities.

"Permitted Encumbrances" shall mean:

(a) lessors' royalties and any overriding royalties, reversionary interests and other similar burdens to the extent that they do not, individually or in the aggregate, reduce the Company's net revenue interest below that shown in Appendix 2(a)(i) or increase the Company's working interest above that shown in Appendix 2(a)(i) without a corresponding increase in the net revenue interest;

(b) all leases, contracts, unit agreements, pooling agreements, operating agreements, platform use agreements, and other contracts, agreements and instruments applicable to the Contributed Assets, to the extent that they do not, individually or in the aggregate, reduce the Company's net revenue interests below that shown in Appendix 2(a)(i) or increase the Company's working interest above that shown in Appendix 2(a)(i) without a corresponding increase in the net revenue interest;

(c) Liens for taxes or assessments that are not yet delinquent or, if delinquent, are being contested in good faith by appropriate actions;

(d) materialmen's, mechanic's, repairman's, employee's, contractor's, operator's and other similar Liens or charges arising in the ordinary course of business for amounts that are not

yet delinquent (including any amounts being withheld as provided by law), or if delinquent, are being contested in good faith by appropriate actions;

(e) Customary Filings;

(f) rights of reassignment arising upon final intention to abandon or release the Contributed Assets, or any of them;

(g) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations arising or incurred in the ordinary course of business;

(h) all rights reserved to or vested in any Governmental Entities to control or regulate any of the Contributed Assets in any manner and all obligations and duties under all applicable laws, rules and orders of any such Governmental Entities or under any franchise, grant, license or permit issued by any Governmental Entities;

(i) any matters shown on Appendix 2(a)(ii) to the extent that they do not, individually or in the aggregate, reduce the Company's net revenue interests below that shown in Appendix 2(a)(i) or increase the Company's working interest above that shown in Appendix 2(a)(i) without a corresponding increase in the net revenue interest;

(j) any other encumbrances, defects or irregularities that do not, individually or in the aggregate, materially detract from the value of or materially interfere with the use or ownership of the Contributed Assets subject thereto or affected thereby and that would be accepted by a reasonably prudent purchaser engaged in the business of owning and operating oil and gas properties; and

(k) the Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement, dated as of September 1, 1999, from CHEX, as Mortgagor, to EnCap Energy Capital Fund III, LP, as Mortgagee, recorded in Cameron Parish, Louisiana on September 3, 1999 in Mortgage Book 245, File No. 261733, as amended by that certain First Amendment to Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement recorded in Cameron Parish, Louisiana on September 9, 1999 in Mortgage Book 245, File No. 2618017, as amended by that certain Second Supplement and Amendment to Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement recorded in Cameron Parish, Louisiana on October 26, 1999 in Mortgage Book 246, File No. 262290, and as further amended by that certain Third Supplement and Amendment to Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement, dated as of February 29, 2000 (as amended, the "Mortgage"), and Original Financing Statement No. 261734 filed on September 3, 1999 with the Parish Clerk of Cameron Parish, Louisiana, as amended (the "Financing Statement"); provided that, insofar and only insofar as the Mortgage and Financing Statement cover the Contributed Assets, the Mortgage and Financing Statement shall be released on or before the Initial Closing Date.

"Petrie Parkman" shall mean Petrie Parkman & Co., Inc.

"Preferred Stock" means the Series A Convertible Preferred Stock, par value $0.01 per share, of the Company.

"Pro Rata Portion" with respect to any Investor shall mean, as of the date of determination, 100% times a fraction, the numerator of which is the Investor's ownership of the Company's Fully-Diluted Common Stock and the denominator of which is the total amount of the Company's Fully-Diluted Common Stock held by Eligible Investors.

"Proceedings" shall mean all proceedings, actions, claims, suits, investigations and inquiries by or before any arbitrator or Governmental Entity.

"Prospective Prospects/Contract Rights" shall have the meaning set forth in Section 5(d) hereof.

"Related Agreements" shall mean the Stockholders Agreement and the Management Agreements.

"Release" shall mean any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, dispersal, leaching or migration into the indoor or outdoor environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or into or out of any property, including the movement of Hazardous Materials through or in air, soil, surface water, groundwater or property.

"Required Consents" shall mean all approvals and consents required to be obtained by the Company, CHEX or CHEX Sub with respect to the consummation of each of the transactions contemplated by this Agreement, including, without limitation, those set forth on Appendix 3(a)(v) hereto.

"Required Holders" shall have the meaning set forth in the Stockholders

Agreement.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Shares" shall mean the shares of Preferred Stock and Common Stock.

"Stock Option Plan" shall mean the Gryphon Exploration Company 2000 Stock Incentive Plan.

"Stockholder" shall have the meaning set forth in the Stockholders Agreement.

"Stockholders Agreement" shall mean the Stockholders Agreement among the Company and the Company's stockholders in the form attached hereto as Exhibit G, as amended and in effect from time to time.

"Subsequent Closing" shall have the meaning set forth in Section 2(h)(ii) hereof.

"Subsequent Financing" shall have the meaning set forth in Section 2(c) hereof.

"Target Blocks" shall have the meaning assigned to that term in the 2000 Program Agreement dated March 1, 2000 between CHEX and Samson Offshore Company.

"Taxes" means all federal, state, county, local, foreign or other taxes, charges, fees, levies, imposts, duties, licenses or other governmental assessments, together with any interest, penalties, additions to tax or additional amounts imposed with respect thereto.

"WPEP" shall mean Warburg, Pincus Equity Partners, L.P., Warburg Pincus Netherlands Equity Partners I, C.V., Warburg Pincus Netherlands Equity Partners II, C.V. and Warburg Pincus Netherlands Equity Partners III, collectively; provided, however, that any action to be taken by WPEP under this Agreement may be taken by Warburg, Pincus Equity Partners, L.P. individually on behalf of the other entities named in this definition.

"WPEP Cash" shall have the meaning set forth in Section 2(b) hereof.

"Zydeco Agreement" shall mean that certain Exploration Agreement, dated April 4, 1996, between Zydeco Exploration, Inc. and FX Energy, Inc. (now known as Cheniere Energy Operating Co., Inc.), as amended.

Section 2. Issuance of Shares; Closings.

(a) Initial Contributions by CHEX.

(i) Contribution of Assets. Subject to the terms and conditions of this Agreement, at the Initial Closing, CHEX shall contribute, convey, assign, transfer and deliver to the Company all of its right, title and interest at the time of the Initial Closing in and to the Contributed Assets (the "Contribution"). The Contribution will be effected by delivery by CHEX to the Company of duly executed documents of conveyance in the form attached hereto as Exhibit A together with such additional assignments as may be required by Governmental Entities to effect the assignment to the Company of CHEX's interest in the leases included in the Contributed Assets.

(ii) Assumption of Liabilities. Subject to the terms and conditions of this Agreement, at the Initial Closing the Company will assume the Assumed Liabilities.

(iii) Exclusion of Liabilities. Notwithstanding any other provision of this Agreement, the Company shall not assume or have any liability hereunder with respect to any other liabilities or obligations of CHEX not specifically included in the Assumed Liabilities, whether known or unknown, liquidated or unliquidated, contingent or fixed (the "Excluded Liabilities"), including, without limitation:

(A) liabilities arising out of the business operation of CHEX or its ownership of the Contributed Assets prior to the Effective Date;

(B) liabilities to the extent arising out of any businesses operated and assets owned by CHEX other than the Contributed Assets, whether incurred before or after the Effective Date; and

(C) liabilities or obligations for CHEX to pay any taxes of any kind or nature, including any interest or penalties imposed with respect hereto, and including any taxes incurred by CHEX arising out of its business operation or its ownership of the Contributed Assets prior to the Effective Date.

(iv) Initial Issuance of Common Stock to CHEX. In consideration for all of the foregoing, at the Initial Closing, subject to the terms and conditions of this Agreement, the Company will issue to CHEX 145,590 shares of Common Stock.

(v) Payment to CHEX; Issuance of the CHEX Notes. On the date hereof, WPEP shall deliver to CHEX, by wire transfer of immediately available funds to an account or accounts designated by CHEX, the amount of $2,000,000 in exchange for the execution and delivery of a note, in the form attached hereto as Exhibit B, in the original principal amount of $2,000,000. In addition, if prior to the Initial Closing CHEX elects to participate in the completion of a well on the Shark Prospect (as described in Appendix 2(a)(i)), then CHEX shall notify WPEP of such election and furnish WPEP a copy of an authorization for expenditure ("AFE") setting forth the estimated completion costs and CHEX's proportionate share thereof. Upon receipt of such an AFE, WPEP, within two (2) Business Days, shall either (A) notify CHEX of its election not to participate in the well, in which case the well shall not be included in the Contributed Assets or (B) deliver to CHEX, by wire transfer of immediately available funds, an amount equal to CHEX's share of the estimated completion costs as set forth in the AFE and CHEX shall execute and deliver a note, in the form attached hereto as Exhibit B, in the original principal amount equal to such share of completion costs; provided that if WPEP has notified CHEX within such two Business Day period that it wishes to fund CHEX's share of the completion costs as set forth in clause (B) hereof, but CHEX is unable to cause MDCK or another counsel reasonably acceptable to WPEP to deliver a legal opinion with respect to the note to be issued by CHEX (in form and substance substantially similar to the legal opinion given by MDCK on the date of this Agreement with respect to the original CHEX Note), then CHEX may fund such obligations and, in such case, the well will be included in the Contributed Assets subject to the Company reimbursing CHEX at the Initial Closing for completion costs for the well that have been incurred by CHEX prior to the Initial Closing. The note referred to in this first sentence of this paragraph and any note with respect to completion costs are collectively referred to herein as the "CHEX Notes." At the Initial Closing, CHEX will assign, and the Company will assume, the CHEX Notes and the CHEX Notes will be included in the definition of Assumed Liabilities.

(vi) Operating Fee. At the Initial Closing, the Company hereby agrees to pay to CHEX an operating fee equal to (A) $50,000 plus (B) an additional $10,000 for each day from, and including,

September 1, 2000 to, and including, the Initial Closing Date. The aggregate amount of this fee shall be delivered by the Company to CHEX by wire transfer of immediately available funds on the Initial Closing Date.

(b) Initial Cash Contributions by WPEP and the Management Investors.

(i) Cash Contributions. Subject to the terms and conditions of this Agreement, at the Initial Closing, WPEP and the Management Investors shall contribute as a capital contribution to the Company, and the Company shall accept from the Investors, the following cash contributions, where the term "WPEP Cash" shall mean $24,950,000 less the principal amount of all CHEX Notes assumed by the Company pursuant to Section 2(a)(v) hereof:

<TABLE>
<CAPTION>

Investor	Cash Contribution
<S>	<C>
Warburg, Pincus Equity Partners, L.P.	WPEP Cash * 0.945
Warburg, Pincus Netherlands Equity Partners I, L.P.	WPEP Cash * 0.03
Warburg, Pincus Netherlands Equity Partners II, L.P.	WPEP Cash * 0.02
Warburg, Pincus Netherlands Equity Partners III, L.P.	WPEP Cash * 0.005
Michael Harvey	$25,000
Ron Krenzke	$25,000

</TABLE>

Such contributions shall be made by wire transfer of immediately available funds to an account or accounts designated by the Company in writing at least two (2) Business Days prior to the Initial Closing. In addition, at the Initial Closing, WPEP shall forgive all CHEX Notes and any interest accrued thereunder.

(ii) Initial Issuance of Preferred Stock. In consideration of the foregoing, at the Initial Closing, subject to the terms and conditions of this Agreement, the Company will issue to WPEP and the Management Investors the number of shares of Preferred Stock set forth below:

<TABLE>
<CAPTION>

Investor	Shares of Preferred Stock
<S>	<C>
Warburg, Pincus & Co., as nominee	24,950
Michael Harvey	25
Ron Krenzke	25

</TABLE>

(c) Subsequent Financings.

(i) CHEX Sub and WPEP (the "Eligible Investors") shall each have the option to purchase its Pro Rata Portion of up to 75,000 additional shares of Preferred Stock at a purchase price of $1,000 per share as called by the Company from time to time pursuant to a Call Notice (defined below) delivered in accordance with

Section 2(d). Each closing of additional funds pursuant to this Section 2(c) shall be referred to at times herein as a "Subsequent Financing." The purchase price paid in any Subsequent Financing is referred to at times herein as an "Additional Capital Contribution." All Additional Capital Contributions shall be payable in cash and, unless otherwise agreed to by the Board, shall be paid by the wire transfer of immediately available United States dollars on or before the applicable Call Closing Date (as defined below) to a bank account designated by the Company prior to such Call Closing Date. With respect to any Subsequent Financing, each of the Eligible Investors' respective Pro Rata Portions shall be determined as of the date the Board authorized the applicable Call Notice.

(ii) Notwithstanding Section 2(c)(i) above, each of the Management Investors shall be required to purchase one-tenth of one percent of WPEP's Pro Rata Portion of any Subsequent Financing in which WPEP is participating. The obligation of each Management

Investor to purchase Shares pursuant to this Section 2(c)(ii) is subject to such Management Investor being an "accredited investor" as defined in Rule 501(a) under the Securities Act or the waiver of such condition by the Company. No Management Investor shall be obligated to purchase shares pursuant to this Section 2(c)(ii) if his respective Management Employment Agreement has been terminated at the time of the Subsequent Financing. To the extent that any Management Investor purchases shares pursuant to this Section 2(c)(ii), WPEP's Pro Rata Portion of the applicable Subsequent Financing shall be reduced.

(d) Call Notices.

(i) With respect to any proposed Subsequent Financing under Section 2(c), the Company shall provide each Investor a written notice, substantially in the form attached hereto as Exhibit C (a "Call Notice"), which shall (i) specify the date on which the Company intends to close on the Subsequent Financing (each such date referred to as a "Call Closing Date"); (ii) specify the total amount of the Additional Capital Contribution being called and such Eligible Investor's Pro Rata Portion thereof; (iii) specify the total number of shares of Preferred Stock proposed to be issued (calculated on the basis of a price of $1,000 per share of Preferred Stock) in exchange for the Additional Capital Contributions; and (iv) include all materials, if any, related to the Call Notice that were presented to the Directors at the meeting at which such Call Notice was approved, for the purpose of evaluating such Call Notice; provided, however, that no materials shall be delivered to CHEX or WPEP, respectively, if any Director designated by such Investor attended the meeting at which the Call Notice was approved and received all materials related to the Call Notice presented to Directors thereat.

(ii) Any Call Notice shall be delivered as follows:

(A) for any Subsequent Financing that is $10,000,000 or less, the Company shall deliver the Call Notice no later than 40 days prior to the Call Closing Date;

(B) for any Subsequent Financing greater than $10,000,000, the Company shall deliver the Call Notice no later than 90 days prior to the Call Closing Date.

(e) Participation Notices. Upon Receipt of a Call Notice, each Eligible Investor shall provide written notice (a "Participation Notice") indicating whether it will participate in the Subsequent Financing referenced in such Call Notice to both the Company and the other Eligible Investor as follows:

(i) for any Subsequent Financing that is $10,000,000 or less, each Eligible Investor shall deliver the Investor Participation Notice within 10 days of receiving the applicable Call Notice;

(ii) for any Subsequent Financing that is more than $10,000,000, each Eligible Investor shall deliver the Investor Participation Notices within 15 days of receiving the applicable Call Notice.

(iii) Notwithstanding Section 2(e)(ii) above, if an Eligible Investor receives a Call Notice relating to a subsequent Financing that is more than $10,000,000 and specifying that such Subsequent Financing will fund a strategic acquisition of securities or assets or a business that was formally brought to the attention of the Board at least 15 days prior to the Board meeting at which such transaction is (or was) to be approved, then the Investor shall provide notice of its intention to participate within 5 days of receiving the applicable Call Notice. In connection with any transaction governed by this Section 2(e)(iii), the Company shall provide to CHEX and WPEP all materials relating to such transaction presented to the Board if and when they are so presented; provided, however, that no materials shall be delivered to CHEX or WPEP, respectively, if any Director designated by such Investor attended the meeting at which the Call Notice was approved and received all materials related to the Call Notice presented to Directors thereat.

Subject to the conditions set forth in Section 3(d) hereof, Eligible Investors agreeing to participate in a Subsequent Financing shall fund their committed portion of such Subsequent Financing on the Call Closing Date set forth in the applicable Call Notice; provided, however, that Eligible Investors agreeing to participate in a Subsequent Financing described under Section 2(e)(iii) above shall fund their committed portion

of such Subsequent Financing at the closing of the strategic acquisition referred to therein.

(f) Eligible Investor Non-Participation in a Subsequent Financing.

(i) To the extent that any Eligible Investor elects not to participate in any Subsequent Financing, such Eligible Investor acknowledges that its Pro Rata Portion of any future Subsequent Financings may be affected.

(ii) In the event that any Eligible Investor elects not to participate in a Subsequent Financing, then the other Eligible Investor shall have the option to purchase the non-participating Eligible Investor's Pro Rata Portion thereof. This option shall be exercisable by written notice to the Company and the non-participating Eligible Investor within 5 days of receiving the Participation Notice indicating the non-participating Eligible Investor's intent not to participate.

(iii) In the event that an Eligible Investor delivers a Participation Notice indicating its intention to participate in a Subsequent Financing to the Company and then fails to fund the Subsequent Financing on the applicable Call Closing Date, such Eligible Investor shall forfeit all rights to participate in any future Subsequent Financings unless the failure to fund such Subsequent Financing is (A) the result of a written agreement between the Company and the participating Eligible Investors, (B) due to the failure of any Investor condition to closing set forth in Section 3(d) hereof, or (C) cured within 5 Business Days of the Company notifying such Eligible Investor of its failure to fund.

(iv) If, at any time after a CHEX Change of Control, the Company delivers a Call Notice in accordance with Section 2(d) above and CHEX elects not to participate in the Subsequent Financing referenced therein or fails to fund such Subsequent Financing on the applicable Call Closing Date, CHEX shall forfeit all rights to participate in any future Subsequent Financings.

(g) Limitation on Capital Calls. Any call for a Subsequent Financing shall require approval by the Board. In no event shall a Call Notice be made for an aggregate amount of less than Three Million Dollars ($3,000,000).

(h) Closings.

(i) The initial issuance and delivery of the Shares to be purchased by the Investors shall take place at a closing (the "Initial Closing") to be held at the offices of Vinson & Elkins L.L.P. on such date (the "Initial Closing Date") which shall be on the day which is five (5) consecutive Business Days after the date on which the last of the conditions set forth in Sections 3(a), 3(b), 3(c) and 4 is fulfilled or waived or is capable of being fulfilled at the Initial Closing or at such other time or place as the parties hereto shall agree.

(ii) On each Call Closing Date, the Company will deliver to each Investor participating in the applicable Subsequent Financing certificates evidencing the

shares of Preferred Stock to be purchased by such Investor and registered in the name of such Investor against receipt of the purchase price therefor by wire transfer of immediately available funds to the Company in an account designated by the Company prior to such Call Closing Date (each such occurrence, a "Subsequent Closing").

(iii) At any Closing, WPEP shall have the option to have all shares to be issued to WPEP registered in the name of Warburg, Pincus & Co., as nominee. At the Initial Closing, CHEX shall transfer its interest in the Company to CHEX Sub and CHEX hereby consents to the Company issuing the securities issuable to CHEX pursuant to Section 2(a)(iv) above, and registering such securities in the name of, CHEX Sub.

Section 3. Investors' Conditions of Initial Closing.

(a) Initial Closing Conditions of the Investors. Each Investors' obligation to acquire the Shares to be acquired by them hereunder on the Initial Closing Date is subject to the satisfaction or waiver, on or before the Initial Closing Date, of the conditions contained in this Section 3(a).

(i) Representations and Warranties. The representations and warranties of the Company contained in this Agreement that are qualified by reference to materiality or Material Adverse Effect shall be true and correct, and any such representations and warranties that are not so qualified shall be true and correct in all material respects at and as of the Initial Closing Date, in each case as if made at and as of such date, except that representations and warranties made as of a specific date need be true only as of that date.

(ii) Performance. The Company shall have performed in all material respects all of its obligations under this Agreement required to be performed by it on or prior to the Initial Closing Date.

(iii) Formation Documents and Stockholders Agreement. Each Investor shall have received an Officer's Certificate, dated the Initial Closing Date, attaching (i) a true and complete copy of the Company's Certificate of Incorporation, together with all amendments thereto, as filed with the Secretary of State of the State of Delaware in the form attached hereto as Exhibit D, (ii) a true and complete copy of the Company's Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, as filed with the Secretary of State of the State of Delaware and in the form attached hereto as Exhibit E, (iii) a true and complete copy of the Company's Bylaws in effect on the date thereof in the form attached hereto as Exhibit F, (iv) a true and complete copy of the Stockholders Agreement in the form attached hereto as Exhibit G, (v) certificates of good standing of the appropriate officials of the jurisdiction of formation of the Company and of each state or other jurisdiction in which the Company is qualified to transact business, and is transacting

business, except those other jurisdictions where the failure to be so qualified would not have a Material Adverse Effect, and (vi) resolutions of the Directors of the Company authorizing the execution and delivery of this Agreement, the Stockholders Agreement and the issuance of the Shares.

(iv) Compliance with Securities Laws. The offering and sale of the Shares under this Agreement shall have complied with all applicable requirements of federal and state securities laws.

(v) No Adverse Action or Decision. There shall be no action, suit, investigation or proceeding, pending or to the Company's knowledge threatened, against or affecting the Company or any of its properties or rights, or any of its affiliates, associates, officers or Directors, before any court, arbitrator or administrative or governmental body which (i) seeks to restrain, enjoin, prevent the consummation of or otherwise affect the transactions contemplated by this Agreement or (ii) questions the validity or legality of any such transaction or seeks to recover damages or to obtain other relief in connection with any such transaction, and to the Company's knowledge there shall be no valid basis for any such action, proceeding or investigation.

(vi) Approvals and Consents. The Company shall have duly received all authorizations, consents, approvals, licenses, franchises, permits and certificates, other than Customary Filings, by or of all Governmental Entities necessary (including those required under the HSR Act, if any) for the issuance of the Shares by the Company and the consummation of the transactions contemplated hereby, and all of the foregoing shall be in full force and effect at the Initial Closing Date.

(vii) Board Nominees. The initial members of the Board

specified in the Stockholders Agreement shall have been appointed Directors of the Company effective upon the Initial Closing.

(viii) Stock Option Plan. The Company shall have adopted the Stock Option Plan including the attached form of Stock Option Agreement in the form attached hereto as Exhibit H and shall have granted options thereunder as set forth on Appendix 3(a)(viii) hereto (the "Initial Option Grants").

(ix) Cancellation of CHEX Securities. Each former employee of CHEX named on Appendix 3(a)(ix) hereto shall have entered into an Option and Warrant Cancellation Agreement, substantially in the form attached hereto as Exhibit I (a "Cancellation Agreement"), with CHEX whereby all options, warrants and other equity interests in CHEX granted by CHEX held by such individual have been cancelled (other than 150,000 shares of Common Stock held by Ron Krenzke).

(x) Employment Agreements. The Company shall have entered into employment agreements (collectively, the "Management Employment Agreements")

with Michael Harvey and Ron Krenzke, in the forms attached hereto as Exhibit J and Exhibit K, respectively.

(xi) HSR Act Filings. The Company and the Investors shall have filed all reports and submissions required under the HSR Act concerning the transactions contemplated hereby and any waiting periods related to such filings shall have expired or received early termination.

(xii) Company Qualification. The Company shall be duly qualified to own and hold offshore federal and state of Louisiana oil and gas leases.

(xiii) Contract Operating Agreement. The Company and CHEX shall have entered into a Contract Operating Agreement substantially in the form attached hereto as Exhibit L.

(xiv) Stockholders Agreement. The Company and the Investors shall have entered into the Stockholders Agreement in substantially the form attached hereto as Exhibit G.

(b) WPEP's Initial Closing Conditions. In addition to the conditions set forth in Section 3(a) above, WPEP's obligation to acquire the Shares to be acquired by it hereunder on the Initial Closing Date is further subject to the satisfaction or waiver, on or before the Initial Closing Date, of the conditions contained in this Section 3(b).

(i) Opinion of CHEX's Counsel. MDCK shall have delivered a legal opinion dated the Initial Closing Date substantially in the form attached hereto as Exhibit M to WPEP.

(ii) Representations and Warranties. The representations and warranties of CHEX and CHEX Sub contained in this Agreement that are qualified by reference to materiality shall be true and correct, and any such representations and warranties that are not so qualified shall be true and correct in all material respects at and as of the Initial Closing Date, in each case as if made at and as of such date, except that representations and warranties made as of a specific date need be true only as of that date.

(iii) Performance. CHEX and CHEX Sub shall have performed in all material respects all of its obligations under this Agreement required to be performed by it on or prior to the Initial Closing Date.

(iv) Corporate Documentation. WPEP shall have received all

such counterpart originals or certified or other copies of such documents as they may reasonably request.

(v) Consents. WPEP shall have been furnished with evidence of all Required Consents, other than Customary Filings, the failure of which to obtain could be reasonably expected, in the aggregate, to result in a Material Adverse Effect, and each such Required Consent shall be unconditional or be subject to conditions which have been satisfied on or before the Initial Closing Date.

(c) CHEX's Initial Closing Conditions. In addition to the conditions set forth in Section 3(a) above, CHEX's obligation to acquire the Shares to be acquired by it hereunder on the Initial Closing Date is further subject to the satisfaction or waiver, on or before the Initial Closing Date, of the conditions contained in this Section 3(c).

(i) Representations and Warranties. The representations and warranties of WPEP contained in this Agreement shall be true and correct in all material respects at and as of the Initial Closing Date, in each case as if made at and as of such date, except that representations and warranties made as of a specific date need be true only as of that date.

(ii) Performance. WPEP shall have performed in all material respects all of its obligations under this Agreement required to be performed by it on or prior to the Initial Closing Date.

(iii) Corporate Documentation. CHEX shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

(d) Subsequent Closing Conditions. Each Eligible Investor's obligation to purchase shares of Preferred Stock on a Call Closing Date shall be subject to the satisfaction or waiver, on or before each such Call Closing Date, of the conditions contained in this Section 3(d).

(i) Except as specified in the applicable Call Notice, the representations and warranties of the Company contained in Sections 6(a), (c), (d) and (e) of this Agreement that are qualified by reference to materiality or Material Adverse Effect shall be true and correct, and any such representations and warranties that are not so qualified shall be true and correct in all material respects at and as of the applicable Call Closing Date, in each case as if made at and as of such date, except that representations and warranties made as of a specific date need be true only as of that date.

(ii) The Company shall have performed in all material respects all of its obligations under this Agreement required to be performed by it on or prior to the applicable Call Closing Date.

(iii) In the event of a Subsequent Closing pursuant to a Call Notice, any conditions specified in such Call Notice shall have been satisfied.

(iv) As of the applicable Call Closing Date, the Company shall not be in material violation of the its Certificate of Incorporation or Bylaws or the Stockholders Agreement.

(v) As of the applicable Call Closing Date, there shall have been no Material Adverse Change since the date of the applicable Call Notice, except as specifically set forth in such Call Notice.

(vi) As of the applicable Call Closing Date, the authorizations, consents, approvals, licenses, franchises, permits and certificates necessary to be obtained or made, and all waiting periods required or contemplated to expire, prior to the consummation of the transactions to be effected on the applicable Call Closing Date described in this Agreement under applicable federal, state or local laws, including the

HSR Act, or applicable laws of any foreign jurisdiction shall have been obtained, made or expired, as the case may be, and all such regulatory approvals shall be in full force and effect.

(vii) The Company shall have delivered to each participating Eligible Investor an Officer's Certificate, dated the applicable Call Closing Date, to the effect of clauses (i) through (vi) above.

Section 4. The Company's Conditions of Closing. The Company's obligation to issue the Shares to any Investor hereunder at any Closing is subject to the satisfaction or waiver, on or before the applicable Closing Date of the conditions contained in this Section 4.

(a) Representations and Warranties. The representations and warranties of such Investor purchasing Shares at such Closing contained in Section 7 hereof shall be true in all material respects on and as of the applicable Closing Date, and such Investor shall have delivered to the Company an Officer's Certificate, dated the applicable Closing Date, to such effect.

(b) Performance. Such Investor shall have performed in all material respects all of its obligations under this Agreement required to be performed by it on or prior to the applicable Closing Date.

(c) Approvals and Consents. The Company shall have duly received all authorizations, consents, approvals, licenses, franchises, permits and certificates by or of Governmental Entities (including those required under the HSR Act, if any) for the issuance of the Shares by the Company and the consummation of the transactions contemplated hereby at the applicable Closing Date.

Section 5. Covenants.

(a) Cooperation, Approvals, Further Action. The Company and the each of the Investors covenants and agrees to cooperate and use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement, including cooperating fully with the other parties to obtain all Approvals that may be necessary or which may be reasonably requested by the Company or the Investors to consummate the transactions contemplated by this Agreement and the Related Agreements. In case at any time after the date hereof any further action is reasonably necessary or desirable to carry out the purposes of this Agreement, the parties shall take all such necessary action. Without limiting the foregoing, the parties hereto acknowledge that CHEX is responsible for obtaining any Required Consents prior to the Initial Closing and CHEX will agree to assist and cooperate with the Company in obtaining any approvals of any Governmental Entities with respect to the assignment of the oil and gas leases included in the Contributed Assets.

(b) Closing Conditions; Adverse Effect. CHEX covenants and agrees, from the date hereof until the earlier of the Initial Closing Date or the termination of this Agreement, not to take any action that will, or is reasonably likely to, (i) cause any breach of the representations and warranties of CHEX or CHEX Sub contained herein such that any condition to the Initial Closing contained herein would not be satisfied or (ii) adversely affect the Contributed Assets, in each case, without the prior written consent of WPEP; provided, however, that such consent shall be deemed given unless WPEP notifies CHEX to the contrary within 3 Business Days of receipt of a written request therefor.

(c) HSR Act Compliance. Each of the parties hereto shall (i) file or cause to be filed, as promptly as possible after the execution of this Agreement, with the Federal Trade Commission and the United States Department of Justice, all reports and other documents required to be filed by such party under the HSR Act concerning the transactions contemplated hereby and (ii) promptly comply or cause to be complied with the requests by the Federal Trade Commission and the United States Department of Justice for additional information concerning the transactions contemplated hereby, in each case so that the waiting period applicable to this Agreement and the transactions contemplated hereby under the HSR Act shall expire as soon

as practicable after the execution and delivery of this Agreement. Each party hereto agrees to request, and to cooperate with any other party requesting, early termination of any applicable waiting period under the HSR Act. If after Initial Closing or and until the date at which the shares of Preferred Stock purchased hereunder are fully converted in accordance with their terms, further filings are required under the HSR Act so that any Investor may acquire the shares of Common Stock underlying such Preferred Stock or otherwise acquire securities pursuant to this Agreement or the Related Agreements, the Company will upon written request of such Investor, and the Investors will upon the written request of the Company, (i) file or cause to be filed, as promptly as practicable after the receipt of such notice and in no event later than 15 Business Days after the receipt of such notice, with the Federal Trade Commission and the United States Department of Justice, all reports and other documents required to be filed by such party under the HSR Act concerning the transactions contemplated in such notice, (ii)

promptly comply with or cause to be complied with any requests by the Federal Trade Commission or the United States Department of Justice for additional information so that the waiting period applicable thereto under the HSR Act shall expire as soon as practicable, and (iii) cooperate with the other parties hereto in requesting early termination of any applicable waiting period under the HSR Act. The Company will reimburse any Investor for any filing fees in connection with such filings by such Investor.

(d) Ongoing Negotiations. The Company and the Investors acknowledge that CHEX is currently in the process of negotiating with third parties for the acquisition of the prospects/leases in, and for farmout and/or farmin or other contract rights set forth in Appendix 5(d) hereto (the "Prospective Prospects/Contract Rights"). If, prior to the date of the Initial Closing, CHEX enters into any agreement regarding the Prospective Prospects/Contract Rights or acquires any interest in any such Prospective Prospects/Contract Rights or any interest in any oil or gas lease or prospect currently being evaluated by CHEX, then CHEX will provide to the Company and the other Investors written notice of such agreement or acquisition and, if consented to by WPEP, (i) such agreement and/or property acquired shall become part of the Contributed Assets hereunder to be contributed to the Company hereunder (and the term "Contributed Assets" shall be deemed to include such agreement and/or property), (ii) the Company will assume the contractual liabilities associated with such Prospective Prospects/Contract Rights (and the term "Assumed Liabilities" shall be deemed to include such liabilities) and (iii) the Company will reimburse CHEX at the Initial Closing for any out-of-pocket fees or expenses (including any consideration paid) incurred in connection with obtaining or acquiring such Prospective Prospects/Contract Rights; provided, however, that with respect to the Prospective Prospects/Contract Rights relating to West Cameron Block 43 and High Island Block 52, WPEP, upon the approval of Michael Harvey, will not unreasonably withhold the consent referenced above. In the event that no agreement and/or acquisition (or contract for acquisition) with respect to any Prospective Prospects/Contract Rights is completed by CHEX prior to the Closing, then CHEX agrees that (i) the term "Contributed Assets" shall include all of its rights to continue negotiations with respect to any such Prospective Prospects/Contract Rights (and Appendix 2(a)(i) shall be revised accordingly), (ii) the Company will have the right to enter into any agreement resulting from such negotiations and (iii) for a period of two years following the Initial Closing Date, neither CHEX nor any Affiliate of CHEX (other than the Company and any of its subsidiaries) will engage in any further negotiations regarding such Prospective Prospects/Contractual Rights, acquire any interest in, or enter into any agreement with respect to, such Prospective Prospects/Contract Rights. If, notwithstanding the foregoing, in any transaction (a "Subject Transaction"), CHEX acquires an interest in any Prospective Prospects/Contract Rights during such period (an "Acquired Interest"), then within fourteen (14) days after such acquisition, CHEX shall notify the Company in writing of such acquisition, such notice to include (i) a description of such Acquired Interest, (ii) the amount and type of consideration paid by CHEX for such Acquired Interest, including a statement of the cash value of any consideration paid by CHEX for such Acquired Interest other than cash, and (iii) a description of any consideration paid by CHEX in the Subject Transaction and any transactions directly related thereto that was not allocated to such Acquired Interest. The cash value of any such consideration shall

be the "Acquisition Cost," unless within 15 days after receipt of CHEX's

notice, the Company notifies CHEX in writing that the Company in good faith disagrees with either the value attributed to any non-cash consideration or the allocation of any consideration between the Acquired Interest and any other properties/interests involved in the Subject Transaction or any transaction directly relating thereto. In such notice, the Company shall designate an independent, nationally recognized petroleum engineering firm to conduct an appraisal as to the fair valuation or allocation of such consideration. The appraisal of the appraiser shall be binding on the parties and shall be deemed the "Acquisition Cost". The Company and CHEX shall split equally the cost of any such appraiser. The Company shall have sixty (60) days after receipt of such notice (or after the receipt of an appraisal referred to in the preceding sentence, if later), in which it may elect to acquire such Acquired Interest from CHEX by tendering the Acquisition Cost, and CHEX shall deliver executed and acknowledged assignments of such Acquired Interest to the Company contemporaneously with CHEX's receipt of such payment. If the Company does not tender the Acquisition Cost for such Acquired Interest within such period, it shall be deemed to have elected not to acquire such Acquired Interest, and CHEX shall retain such Acquired Interest for its own account and shall have no further obligation to the Company with respect thereto.

(e) Access; Confidentiality.

(i) At all times from and after the date hereof until the Initial Closing, CHEX shall afford WPEP and its counsel and other authorized representatives reasonable access to the properties, employees and officers of CHEX and subsidiaries thereof and to all books, accounts, tax returns, financial and other records, including audit work papers, correspondence and contracts of every kind of CHEX and any subsidiaries thereof, in each case, as related to the Contributed Assets and WPEP may reasonably request to conduct due diligence regarding the Contributed Assets.

(ii) WPEP shall, and shall cause its representatives to, hold confidential all information relating to CHEX or any subsidiary thereof it has received from CHEX or any of its representatives and any information it receives after the date hereof from CHEX or its representatives as a result of clause (i) above or WPEP's ownership of Shares; provided, however, that the foregoing shall not apply to (A) information that is or becomes generally available to the public other than as a result of a disclosure by WPEP or any of its Affiliates or representatives in violation of this Section 5(e)(ii), (B) information that is or becomes available to WPEP or any of its representatives on a nonconfidential basis from a source other than CHEX or its Affiliates (other than the Company and any of its subsidiaries) or representatives, provided that such source is not known by WPEP to be bound by a confidentiality agreement with, or other obligation of secrecy to, CHEX or any other party, or (C) information that is required to be disclosed by WPEP or any of its representatives as a result of any applicable Law; provided, further, however, that in the event information is required to be disclosed pursuant to clause (C) above, the Person proposing such disclosure shall provide CHEX to the extent practicable an

opportunity, reasonably in advance of such disclosure, to review and comment on the form and content of the proposed disclosure. The provisions of this Section 5(e)(ii) shall terminate on the first anniversary of the date that all shares of Preferred Stock purchased hereunder have been converted in accordance with their terms.

(f) Additional Affirmative Covenants of the Company. All covenants contained in this Section 5(f) shall be given independent effect. The provisions of this Section 5(f) are for the benefit of Investors for so long as they hold any Shares.

(i) Shares to be Reserved. The Company covenants that (i) all shares of Common Stock that may be issued upon the conversion of the shares of Preferred Stock will, upon issuance and upon full payment therefor, be validly issued, fully paid and nonassessable (except to the extent specified in the Delaware General Corporation Law) and free from all taxes, liens and charges (other than under the Stockholders Agreement) with respect to the issuance thereof, (ii) during the period within which the shares of Preferred Stock may be converted into shares of Common Stock, the Company will at all times have authorized and reserved a sufficient number of shares of Common Stock to permit the conversion of the shares of Preferred Stock and (iii) so long as any Investor has a subscription option under this Agreement,

the Company shall reserve and set aside a sufficient number of shares of Preferred Stock issuable upon the making of any Additional Capital Contribution.

(ii) Payment of Expenses. In the event the Initial Closing is consummated, the Company will (i) pay, or reimburse WPEP for the payment of, all reasonable out-of-pocket expenses arising in connection with the transactions and other agreements and instruments contemplated by this Agreement with respect to the Initial Closing, including the reasonable fees and expenses of WPEP's counsel, agents, advisors and consultants, (ii) pay, or reimburse CHEX for the payment of, up to $600,000 of fees and up to $20,000 of expenses of Petrie Parkman pursuant to the agreement between CHEX and Petrie Parkman previously delivered to the Company and WPEP and (iii) pay, or reimburse CHEX for the payment of, up to $75,000 of legal fees and expenses of MDCK arising in connection with the transactions and other agreements and instruments contemplated by this Agreement with respect to the Initial Closing. The Company will also pay any HSR Act filing fees payable in connection with this Agreement.

(iii) Office Space. For a period of six months following the Initial Closing, the Company shall permit CHEX to continue to use, at no cost, the office space currently occupied by CHEX to the extent and in the manner presently used by the employees of CHEX that are remaining with CHEX following the Initial Closing Date.

(iv) Override Programs. The parties hereto acknowledge that the Company shall assign to the Key Geologists/Geophysicists (in the aggregate) who remain in the employ of the Company on November 1, 2001 a proportionally reduced

overriding royalty interest equal to 1% in each oil and gas lease within the Target Blocks (A) acquired by the Company as a Contributed Asset hereunder or (B) acquired by the Company through a farmin, option or acquisition transaction entered into by the Company, to the extent and only to the extent, such farmin, option or acquisition transaction is entered into by the Company pursuant to a written agreement prior to November 1, 2000. Such assignment shall be effective as of the date of acquisition of the burdened lease by the Company and each such overriding royalty interest shall be calculated and paid on the same basis as the applicable lessor's royalty. The Key Geologists/Geophysicists shall share any such overriding royalty interest in equal proportions. No other overriding royalty interests shall be granted by the Company to any of its directors, officers or employees without the approval of the Company's board of directors.

(v) Company Qualification. The Company will take all actions necessary to become duly qualified to own, hold and operate offshore and onshore federal and state oil and gas leases acquired at the Initial Closing or thereafter and shall comply with all bonding requirements to own, hold and operate such leases.

(vi) Payment to Fairfield. At the Initial Closing, the Company will pay to Fairfield the amount of $1,940,210.87, plus interest at the rate of 12% per annum on $1,903,156.00 from August 24, 2000 to and including the Initial Closing Date.

(g) Additional Affirmative Covenants of CHEX. All covenants contained herein shall be given independent effect. The provisions of this Section 5(g) are for the benefit of the Company, WPEP and the Management Investors.

(i) Financial Service. CHEX covenants that, for a period of six months after the consummation of the Initial Closing, it shall provide to the Company, at no cost, financial services as the Company may reasonably require, including accounting and cash management services. Nothing herein shall obligate CHEX to provide records, financial information or other information which is not kept or reported by CHEX in the ordinary course of business except as may be required to comply with the rules of the Commission in connection with any registered public offering of capital stock of the Company. Further, nothing herein shall require CHEX to install equipment, hire personnel, or expand any systems or services beyond the level provided by CHEX as of

the date hereof.

(ii) Transfer Fees. CHEX covenants that is fully responsible for any and all transfer fees required by this Agreement or arising as a result of the transactions contemplated by this Agreement, including, without limitation, any transfer fees payable to Fairfield in connection with the assignment or transfer of the Fairfield Agreement to the Company.

(iii) Taxes. CHEX acknowledges that the consideration received for the Contributed Assets includes amounts for any and all Texas, Louisiana or other sales

and use taxes related to the Contributed Assets and CHEX hereby covenants that it will pay all such amounts to the appropriate government agency.

(iv) Shark Prospect. Prior to the Initial Closing, CHEX shall cause the owners of the platform located on West Cameron Block 49 to enter into a Production Handling Agreement with CHEX in a form assignable to the Company, substantially in the form of Exhibit B to the Second Amendment to Joint Operating Agreement, dated effective December 1, 1999, between IP Petroleum Company, Inc., as Operator, and Cheniere Energy, Inc., et al, as Non-Operators (the "JOA"), with respect to production from the Shark Prospect (as such prospect is described in Appendix 2(a)(i) hereto) and such Production Handling Agreement shall be included in the definition of Contributed Assets. CHEX further covenants that, in the event the Company determines that additional production handling capacity is required for the Company's interest in the Shark Prospect, upon request of the Company, CHEX will propose and approve an "Expansion of Capacity," as defined in the JOA, and the Company shall bear all costs, risk and expense of such Expansion of Capacity, insofar as such costs are attributable to the Shark Prospect, and indemnify and hold CHEX harmless from any loss or liability in connection therewith

(h) Oil and Gas Lease OCS-G 21549. The parties agree that CHEX may, prior to the Initial Closing, assign to third parties up to an undivided 25% working interest (with a corresponding decrease in CHEX's net revenue interest) in Oil and Gas Lease OCS-G 21549, covering West Cameron Block 307; provided that any interest retained therein and any proceeds of such assignment shall be deemed Contributed Assets.

Section 6. Representations and Warranties of the Company. The Company represents and warrants to each Investor as of the Initial Closing Date that:

(a) Organization; Qualification and Authority. The Company is a corporation duly formed and validly existing in good standing under the laws of the State of Delaware. The Company has been recently incorporated and has not engaged in any activities other than those related to this Agreement. Prior to the contributions to be made at the Initial Closing, the Company has no subsidiaries. The Company is duly qualified to transact business as a foreign corporation and is in good standing in each jurisdiction in which the character of its properties or the nature of its business makes such qualification necessary and in which the failure to so qualify would have a Material Adverse Effect. Subject to Customary Filings, the Company has the power to own its properties and to carry on its business as it is now being conducted. The Company has all requisite power and authority to enter into this Agreement and to issue and sell the shares of Preferred Stock and Common Stock, and to issue Common Stock upon conversion of the Preferred Stock and has the requisite power and authority to carry out the transactions contemplated hereby to be performed by it, and the execution, delivery and performance hereof have been duly authorized by all necessary action. This Agreement and each other agreement or instrument executed and delivered by the Company pursuant hereto or in connection herewith constitutes the legal, valid and binding obligations of the Company and, except as may be

affected by bankruptcy, insolvency, moratorium, reorganization and other

laws and judicial decisions affecting the rights of creditors generally and general principles of equity, are enforceable against the Company in accordance with their respective terms.

(b) Authorized Shares and Related Matters. As of the date of this Agreement (i) the aggregate authorized Shares of the Company consists of 4,500,000 Shares, of which 4,000,000 are shares of Common Stock and 500,000 are shares of Preferred Stock; (ii) prior to the issuances contemplated hereby, no shares of Preferred Stock are issued and outstanding and 10 shares of Common Stock are issued and outstanding; (iii) except for the Initial Option Grants, the Company does not have outstanding any Shares or other securities convertible into or exchangeable for any Shares, any rights to subscribe for or to purchase or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any other character relating to the issuance of, any Shares, or any securities convertible into or exchangeable for any Shares (except as expressly provided in this Agreement, the Stockholders Agreement or the Stock Option Plan); and (v) the Company is not subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any Shares.

(c) Defaults; Outstanding Debt. The Company is not in violation of and is not in default under (i) its Certificate of Incorporation or Bylaws or the Stockholders Agreement, (ii) any Indebtedness, (iii) any indenture, mortgage, lease, or any other contract, agreement or instrument to which the Company or any subsidiary thereof is a party or by which it or any of its properties are bound or affected, or (iv) with respect to any order, writ, injunction or decree of any court or any federal, state, municipal or other domestic department, commission, board, bureau, agency or instrumentality, which default, in the case of (iii) above, would have a Material Adverse Effect, and there exists no condition, event or act which constitutes, or which after notice, lapse of time, or both, would constitute, such a default under any of the foregoing.

(d) No Violation. The execution and delivery of this Agreement by the Company and the Investors do not, and the consummation by the Company and the Investors of the agreements and transactions contemplated by this Agreement (including the Contribution) will not, (i) conflict with, or result in any violation of or default or loss of any benefit under, any provision of the Certificate of Incorporation and Bylaws of the Company; (ii) violate any permit, concession, grant, franchise, law, rule or regulation, or any judgment, decree or order to which the Company or any subsidiary thereof is a party or to which the Company or any subsidiary thereof or any of their respective property is subject; or (iii) conflict with, or result in a breach or violation of, or accelerate the performance required by, the terms of any agreement, contract, indenture or other instrument to which the Company or any subsidiary thereof is a party or to which any of their respective property is subject, or constitute a default or loss of any right thereunder or an event which, with the lapse of time or notice or both, is likely to result in a default or loss of any right thereunder or the creation of any Lien upon any of the assets or properties of the Company or any subsidiary thereof, excepting in the case of clause (iii) above, such conflicts, breaches, violations, accelerations, defaults, losses or Liens as would not individually or in the aggregate have a Material Adverse Effect.

(e) Offering of Shares. Based in part on the representations and warranties of the Investors in Section 7, the offer, sale and issuance of the Shares pursuant to this Agreement and the issuance of Common Stock upon conversion of the Preferred Stock do not require registration of such securities under the Securities Act or registration or qualification under any applicable state "blue sky" or securities laws. The Company, directly or indirectly, has not taken any action which would subject the issuance or sale of any of the Shares to the provisions of Section 5 of the Securities Act or violate the provisions of any securities, "blue sky" law or similar law of any applicable jurisdiction.

Section 7. Representations, and Warranties of the Investors. Each Investor severally but not jointly, represents and warrants solely with respect to itself to the Company and to the other Investors as of the Initial Closing Date that:

(a) Investment Matters.

(i) it is acquiring the Preferred Stock and Common Stock solely for its beneficial account, for investment purposes, and not with a view to, or for resale in connection with, any distribution of the Preferred Stock and Common Stock in violation of applicable securities laws;

(ii) it understands that the Preferred Stock and Common Stock have not been registered under the Securities Act or any state securities laws by reason of specific exemptions under the provisions thereof, the availability of which depend in part upon the bona fide nature of its investment intent and upon the accuracy of its representations made in this Section 7;

(iii) it understands that the Company is relying in part upon the representations and agreements contained in this Section 7 for the purpose of determining whether this transaction meets the requirements for such exemptions;

(iv) it is an "accredited investor" as defined in Rule 501(a) under the Securities Act;

(v) it has such knowledge, skill and experience in business, financial and investment matters that it is capable of evaluating the merits and risks of an investment in the Preferred Stock and Common Stock;

(vi) it understands that the Preferred Stock and Common Stock are "restricted securities" under applicable federal securities laws and that the Securities Act and the rules of the Commission provide in substance that it may dispose of the Preferred Stock and Common Stock only pursuant to an effective registration statement under the Securities Act or an exemption therefrom, and it understands that the Company has no obligation or intention to register any of the Preferred Stock, the Common Stock or securities issuable upon conversion or exercise thereof,

thereunder (except pursuant to the registration rights granted in the Stockholders Agreement);

(vii) it has been furnished by the Company all information (or provided access to all information) regarding the business and financial condition of the Company, its expected plans for future business activities, the attributes of the Preferred Stock and the Common Stock and the merits and risks of an investment in the Shares which it has requested or otherwise needs to evaluate the investment in the Shares. In making the proposed investment decision, the undersigned is relying solely on such information and on investigations made by it and its representatives. The offer to sell the Shares hereunder was communicated to the undersigned in such a manner that it was able to ask questions of and receive answers from the management of the Company concerning the terms and conditions of the proposed transaction and that at no time was it presented with or solicited by or through any leaflet, public promotional meeting, television advertisement or any other form of general or public advertising or solicitation;

(b) Authority.

(i) it has full power and authority to enter into and perform its obligations under this Agreement;

(ii) this Agreement has been duly authorized, executed and delivered by a Person authorized to do so, constitutes the legal, valid and binding obligation of such Investor and, except as may be affected by bankruptcy, insolvency, moratorium, reorganization and other laws and judicial decisions affecting the rights of creditors generally and general principles of equity, is enforceable against such Investors in accordance with its terms; and

(c) No Conflicts. The execution, delivery and performance by such
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Investor of this Agreement and the consummation by such Investor of the transactions contemplated hereby will not, without the giving of notice or the lapse of time, or both, (A) violate any provision of law, statute, rule, or regulation to which such Investor is subject, (B) violate any order, judgment, or decree applicable to such Investor, or (C) conflict with, or result in a breach or default under, any term or condition of its certificate of incorporation or bylaws, or partnership agreement or other organizational document, as applicable, or any agreement or other instrument to which such Investor is a party or by which such Investor is bound.

Section 8. Representations and Warranties of CHEX. In addition to the representations and warranties contained in Section 7 hereof, CHEX and, only to the extent of representations and warranties related to itself, CHEX Sub represent and warrant to the other Investors and the Company as of the Initial Closing Date that:

(a) Organization; Qualification and Authority. Each of CHEX and CHEX Sub is a corporation duly formed and validly existing in good standing under the laws of the State

of Delaware. Each of CHEX and CHEX Sub is duly qualified to transact business as a foreign corporation and is in good standing in each jurisdiction in which the character of its properties or the nature of its business makes such qualification necessary and in which the failure to so qualify would have a Material Adverse Effect. Each of CHEX and CHEX Sub has the power to own its properties and to carry on its business as it is now being conducted. Each of CHEX and CHEX Sub has all requisite power and authority to enter into this Agreement and has the requisite power and authority to carry out the transactions contemplated hereby to be performed by it, and the execution, delivery and performance hereof have been duly authorized by all necessary action. No approval of any CHEX stockholders is required for consummation of the transactions contemplated by this Agreement or the Related Agreements. This Agreement and each other agreement or instrument executed and delivered by CHEX and CHEX Sub pursuant hereto or in connection herewith constitutes the legal, valid and binding obligations of CHEX and CHEX Sub, respectively, and, except as may be affected by bankruptcy, insolvency, moratorium, reorganization and other laws and judicial decisions affecting the rights of creditors generally and general principles of equity, are enforceable against CHEX and CHEX Sub in accordance with their respective terms.

(b) Defaults; Outstanding Debt. Neither CHEX nor CHEX Sub has violated or is in default under (i) its Certificate of Incorporation or Bylaws, (ii) any Indebtedness, (iii) any indenture, mortgage, lease, or any other contract, agreement or instrument to which CHEX or CHEX Sub is a party or by which it or any of its properties are bound or affected (other than payment defaults under the Fairfield Agreement), or (iv) with respect to any order, writ, injunction or decree of any court or any federal, state, municipal or other domestic department, commission, board, bureau, agency or instrumentality, which default, in the case of (ii), (iii) and (iv) above, would have a Material Adverse Effect, and to CHEX's or CHEX Sub's knowledge there exists no condition, event or act which constitutes, or which after notice, lapse of time, or both, would constitute, such a default under any of the foregoing.

(c) No Violation. The execution and delivery of this Agreement and the Related Agreements by CHEX and CHEX Sub does not, and the consummation of the agreements and transactions contemplated by this Agreement and the Related Agreements (including the Contribution) will not, (i) conflict with, or result in any violation of or default or loss of any benefit under, any provision of the Certificate of Incorporation and Bylaws of CHEX, CHEX Sub or any subsidiary thereof; (ii) to CHEX's knowledge, violate any permit, concession, grant, franchise, law, rule or regulation, or any judgment, decree or order to which the CHEX, CHEX Sub or any subsidiary thereof is a party or to which the Company or any subsidiary thereof or any of their respective property is subject; or (iii) subject to receipt of the Required Consents, conflict with, or result in a breach or violation of, or accelerate the performance required by, the terms of any agreement, contract, indenture or other instrument (including oil and gas leases) to which CHEX, CHEX Sub or any subsidiary thereof is a party or to which any of the Contributed Assets are subject, or constitute a default thereunder or an event which, with the lapse of time or notice or both, is likely to result in a default thereunder or the creation of any Lien upon any of the assets or properties of CHEX, CHEX

Sub or any subsidiary thereof, excepting in the case of clauses (ii) and (iii) above, such conflicts, breaches, violations, accelerations, defaults, losses or Liens as would not individually or in the aggregate have a Material Adverse Effect.

(d) Consents. Neither the nature of CHEX or CHEX Sub nor any of

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their respective businesses or properties, nor any relationship between CHEX or CHEX Sub and any other Person is such as to require on behalf of CHEX or CHEX Sub any consent, approval or authorization, other than Customary Filings, of any court or administrative or governmental body in connection with the valid execution, delivery and performance of this Agreement or fulfillment of or compliance with the terms and provisions hereof, other than Customary Filings and other filings which have been made or consents obtained or are not required to be made until after the Initial Closing Date.

(e) Investment Company Status. CHEX is not and, upon the
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consummation of the transactions contemplated by this Agreement and the Related Agreements, will not be, an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act.

(f) Taxes. All ad valorem, property, production, severance and
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similar taxes and assessments based on or measured by the ownership of property or the production or removal of hydrocarbons or the receipt of proceeds therefrom and relating to the Contributed Assets, to the extent such taxes and assessments have become due and payable, have been timely paid and all applicable tax returns required to be filed have been filed and there are no material claims by any applicable taxing authority pending against CHEX or any subsidiary applicable to the Contributed Assets.

(g) Compliance with Law. To the extent related to the Contributed
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Assets and except for matters which would not reasonably be expected to have a Material Adverse Effect, CHEX and any subsidiary thereof (i) has complied with, and is in compliance with, all applicable Laws (including without limitation Laws relating to environmental matters, securities, properties, production, sales, gathering and transportation of hydrocarbons, occupational safety and health and product safety); (ii) has not received any written notice, which has not been dismissed or otherwise disposed of, that it has not so complied; (iii) has not been charged or, to the knowledge of CHEX, formally threatened with or, to the knowledge of CHEX, under investigation with respect to any violation of any applicable Law; and (iv) is not a party to or subject to the provisions of any judgment, order, writ, injunction, decree or award of any court, arbitrator, board, panel or Governmental Entity.

(h) Proceedings. There are no Proceedings pending or, to the
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knowledge of CHEX, threatened against CHEX or any of its subsidiaries relating to the Contributed Assets or against any of the Contributed Assets or affecting the Contributed Assets or the Company or any of the Company's properties, at law or in equity, or before or by any Governmental Entity or before any arbitration board or panel, wherever located.

(i) Environmental Matters. Except for matters that would not have
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a Material Adverse Effect: (i) the properties, operations and activities of the Company and of CHEX with respect to the Contributed Assets are in compliance with all applicable Environmental Laws; (ii) the Company and its properties and operations and the Contributed Assets and the operations thereon are not subject to any existing, pending or, to the knowledge of CHEX, threatened Proceedings under any Environmental Law; (iii) to CHEX's knowledge, all Permits, if any, required to be obtained or filed by CHEX with respect to the Contributed Assets or by the Company in connection with the business of the Company under any Environmental Law have been obtained or filed and are valid and currently in full force and effect; (iv) there has been no release of any Hazardous Material, pollutant or contaminant into the environment by CHEX on or with respect to the Contributed Assets; (v) to CHEX's knowledge, there has been no exposure of any Person or property to any Hazardous Material, pollutant or contaminant in connection with the properties, operations and activities related to the Contributed Assets; and (vi) CHEX has made available to WPEP all internal and external environmental audits and studies and all correspondence on substantial environmental matters (in each case relevant to the Company or the Contributed Assets) in the possession of CHEX.

(j) Title. CHEX has, and on the Initial Closing Date the Company
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will have, Defensible Title to the Contributed Assets subject to conveyances pursuant to Section 5(h) hereof.

(k) Contracts. To CHEX's knowledge, the leases (including oil and

gas leases), contracts, agreements, licenses and permits included in the Contributed Assets (the "Contracts") are in full force and effect. CHEX is not in breach or default (and, to the knowledge of CHEX, no situation exists which with the passing of time or giving of notice would create a breach or default) of its obligations under the Contracts (other than payment defaults under the Fairfield Agreement) and neither the Contribution nor the execution or delivery of this Agreement and the Related Agreements or the consummation of the transactions contemplated by this Agreement or the Related Agreements will result in a breach or default of its obligations under the Contracts. To the knowledge of CHEX, no breach or default by any third party (or situation which with the passage of time or giving of notice would create a breach or default) exists. CHEX has not received any notice of any claimed defaults, offsets or cancellations from any lessors with respect to the Contributed Assets. CHEX has provided WPEP with copies of all Contracts and any amendments thereto.

(l) Permits. Except as would not have a Material Adverse Effect, and subject to Customary Filings, CHEX or one of its subsidiaries, as applicable, has all Permits necessary or appropriate to own and operate the Contributed Assets that it operates as presently being owned and operated, and such Permits are in full force and effect, and, except as would not have a Material Adverse Effect, to CHEX's knowledge, there have not been any violations with respect to any such Permits. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not result in any revocation

cancellation, suspension or modification of any such Permit except as would not have a Material Adverse Effect.

(m) Consents, Preferential Rights, etc. Except as would not have a Material Adverse Effect, and other than the Required Consents set forth on Appendix 3(a)(v) hereto, neither the Contribution nor the execution or delivery of this Agreement and the Related Agreements, or the consummation of the agreements and transactions contemplated by this Agreement and the Related Agreements requires any consent, approval or waiver from any Person for the assignment to the Company of the Contributed Assets including, without limitation, with respect to any Contract, oil and gas lease, area of mutual interest or seismic data that have not already been obtained (and such consents or waivers that have been obtained do not contain any requirements on the part of the Company or any Investor and are not conditional upon any future event occurring except conditions satisfied on or prior to Closing) and all preferential rights to purchase, rights of first refusal and any similar rights affecting the Contributed Assets have been waived.

(n) No Other Activities. Except as contemplated by this Agreement, the Company has not engaged in any material business activity.

Section 9. Termination.

(a) Termination. This Agreement may be terminated prior to the Initial Closing:

(i) by the unanimous consent of CHEX and WPEP;

(ii) by CHEX in the event of a breach by WPEP of any representation, warranty, covenant or agreement contained in this Agreement which would give rise to the failure of a condition set forth in Section 3(a) or 3(c) which cannot be cured or, if curable, has not been cured within 15 days following receipt by the breaching party of written notice of such breach;

(iii) by WPEP in the event of a breach by CHEX or the Company of any representation, warranty, covenant or agreement contained in this Agreement which would give rise to the failure of a condition set forth in Section 3(a) or 3(b) which cannot be cured or, if curable, has not been cured within 15 days following receipt by the breaching party of written notice of such breach;

(iv) by CHEX or WPEP if a court of competent jurisdiction or other Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree or ruling the Company and the Investors shall use all commercially reasonable efforts to

lift), in each case permanently restraining, enjoining, or otherwise prohibiting the transactions contemplated by this Agreement, and such order, decree, ruling or other action shall have become final and nonappealable; provided, however, that the right to terminate this Agreement under

this clause (iv) shall not be available to any party whose breach of this Agreement has been the cause of, or resulted in, such order, decree, ruling or other action;

(v) by CHEX or WPEP if the Initial Closing shall not have occurred within 45 days of the date hereof, provided, however, that the right to terminate this Agreement under this clause (v) shall not be available to any party whose breach of this Agreement has been the cause of, or resulted in, the failure of the Initial Closing Date to occur within such period.

(b) Effect of Termination. In the event of the termination of this Agreement, written notice thereof shall be given to all other parties hereto by the terminating party specifying the provision pursuant to which the termination is made, and this Agreement shall forthwith become null and void, except for liability of a party arising out of willful breach of, or misrepresentation under, this Agreement prior to such termination.

Section 10. Miscellaneous.

(a) Indemnification.

(i) Subject to the limitations set forth herein, CHEX hereby agrees to indemnify and hold the Company harmless from and against any liabilities, claims, losses, damages, costs and expenses of any kind (including, without limitation, the reasonable fees and disbursements of the Company's counsel in connection with any investigative, administrative or judicial proceeding, whether or not the Company is designated as a party thereto) that may be incurred by the Company, relating to or arising out of (A) any breach of the representations and warranties made by CHEX in Section 7 and Section 8 hereof, (B) any operation of the assets of CHEX not contributed to the Company under this Agreement, (C) any Excluded Liabilities, (D) ownership or operation of the Contributed Assets prior to the Effective Date including any liabilities arising with respect to such period (other than payment defaults under the Fairfield Agreement), (E) the arbitration award relating to the Zydeco Agreement, or (F) the failure of CHEX to perform any covenant contained herein required to be performed by CHEX.

(ii) THE PARTIES HERETO INTEND THAT THE INDEMNITIES SET FORTH IN THIS SECTION 10(a) BE CONSTRUED AND APPLIED AS WRITTEN ABOVE NOTWITHSTANDING ANY RULE OF CONSTRUCTION TO THE CONTRARY. WITHOUT LIMITING THE FOREGOING, THE INDEMNITIES SHALL APPLY NOTWITHSTANDING ANY STATE'S "EXPRESS NEGLIGENCE RULE" OR SIMILAR RULE THAT WOULD DENY COVERAGE BASED ON AN INDEMNITEE'S SOLE, CONCURRENT OR CONTRIBUTORY ACTIVE OR PASSIVE NEGLIGENCE OR GROSS NEGLIGENCE OR STRICT LIABILITY. IT IS THE INTENT OF THE PARTIES THAT, TO THE EXTENT PROVIDED IN THIS SECTION 10(a), THE INDEMNITIES SET FORTH HEREIN SHALL APPLY TO AN INDEMNITEE'S SOLE, CONCURRENT OR CONTRIBUTORY ACTIVE OR PASSIVE NEGLIGENCE, GROSS NEGLIGENCE OR STRICT LIABILITY. THE

PARTIES AGREE THAT THIS PROVISION IS "CONSPICUOUS" FOR PURPOSES OF ALL STATE LAWS.

The indemnification provided for in this Section 10(a) shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expenses, losses, damages or liabilities are incurred.

(b) Consent to Amendments. This Agreement may be amended and the observance of any term of this Agreement may be waived with (and only with) the written consent of the Required Holders; provided, however, that in no

event shall any amendment impose any additional material obligation on any party hereto without such party's written consent.

(c) Restrictive Legend. Each Share and any security issued in exchange therefor shall bear the legend set forth in Section 7.4 of the Stockholders Agreement.

(d) Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by or on behalf of any party to this Agreement in connection herewith shall survive the execution and delivery of this Agreement without limits, regardless of any investigation made by or on behalf of any party; provided, however, that the representations made in Sections 8(f) through (n) shall only survive for eighteen months after the Effective Date.

(e) Successors and Assigns; No Third Party. All covenants and agreements in this Agreement contained by or on behalf of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto and, to the extent provided in this Agreement, to the benefit of any future holders of Shares issued pursuant to this Agreement. Subject to the foregoing and except as provided in Section 10(a) and (b), nothing in this Agreement shall confer upon any person or entity not a party to this Agreement, or the legal representatives of such person or entity, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement. No transfer of Shares shall relieve any party of its obligations hereunder, if the transferee of such Shares does not perform any assumed obligation. Notwithstanding anything to the contrary contained herein, but subject to Section 2(c)(ii) hereof, the right to participate in Subsequent Financings pursuant to this Agreement is not transferable or assignable without the prior written consent of the Company and each Eligible Investor.

(f) Notices. All communications provided for hereunder shall be personally delivered, sent via overnight delivery service, sent by facsimile or sent by registered or certified mail and, if to the Investors, addressed to each Investor at its address or facsimile number specified on the signature page hereof or such other address or facsimile number as such Investor may designate in writing from time to time and, if to the Company, addressed to Gryphon Exploration Company, Attention: Michael Harvey, Two Allen Center, 1200 Smith Street, Suite 1740, Houston, Texas 77002, or such other address as the Company may designate in writing from time to time. Communications personally delivered or sent

via overnight delivery service or facsimile shall be deemed received when delivered, and communication sent by registered or certified mail shall be deemed to have been received on the fifth Business Day after the date of such mailing.

(g) Descriptive Headings. The descriptive headings of the several Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(h) Satisfaction Requirement. If any agreement, certificate or other writing, or any action taken or to be taken, is by the terms of this Agreement required to be satisfactory to the Investors, the determination of such satisfaction shall be made collectively by the Investors in their reasonable judgment exercised in good faith.

(i) Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Texas, without giving effect to the choice of law or conflicts principles thereof.

(j) Entire Agreement. This Agreement and the other writings referred to herein or delivered pursuant hereto contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or understandings with respect thereto.

(k) Severability. Any provision of this Agreement that is

prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have each executed this Agreement as of the date first set forth above.

GRYPHON EXPLORATION COMPANY

By: _____
Name:
Title:

CHENIERE ENERGY, INC.
1200 Smith Street, Suite 1740
Houston, TX

By: _____
Name:
Title:

CHENIERE-GRYPHON MANAGEMENT, INC.
1200 Smith Street, Suite 1740
Houston, TX

By: _____
Name:
Title:

WARBURG, PINCUS EQUITY PARTNERS, L.P.
466 Lexington Avenue, 10th Floor
New York, New York 10017

By: Warburg Pincus & Co., its general partner

By: _____
Name:
Title: Partner

WARBURG, PINCUS NETHERLANDS EQUITY PARTNERS I, C.V.
466 Lexington Avenue, 10th Floor
New York, New York 10017

By: Warburg Pincus & Co., its general partner

By: _____
Name:
Title: Partner

WARBURG, PINCUS NETHERLANDS EQUITY PARTNERS II, C.V.
466 Lexington Avenue, 10th Floor
New York, New York 10017

By: Warburg Pincus & Co., its general partner

By: _____
Name:
Title: Partner

WARBURG, PINCUS NETHERLANDS EQUITY PARTNERS III, C.V.
466 Lexington Avenue, 10th Floor
New York, New York 10017

By: Warburg Pincus & Co., its general partner

By: _____
Name:
Title: Partner

_____
MICHAEL HARVEY

_____
RON KRENZKE

EXHIBIT 10.2

STOCKHOLDERS AGREEMENT

THIS STOCKHOLDERS AGREEMENT (the "Agreement") is entered into and effective as of October 11, 2000 among Gryphon Exploration Company, a Delaware corporation (the "Corporation"), Cheniere Energy, Inc. ("CHEX"), and the Persons (as defined herein) listed on Schedule I hereto, and their permitted successors and assigns, and each owner of Common Stock or Preferred Stock, as defined herein, who may hereafter execute in accordance with this Agreement a separate agreement to be bound by the terms hereof.

W I T N E S S E T H:

WHEREAS, the Corporation, Warburg, Pincus Equity Partners, L.P. ("WPEP"), CHEX, Cheniere-Gryphon Management, Inc. ("CHEX Sub") and certain other Persons entered into a Contribution and Subscription Agreement dated September 15, 2000 (the "Contribution Agreement") providing for issuance of Common Stock and Preferred Stock; and

WHEREAS, the Contribution Agreement provides that the execution and delivery of this Agreement is a condition to the consummation of the initial contributions contemplated thereby; and

NOW, THEREFORE, in consideration of the mutual covenants and obligations hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

GENERAL PROVISIONS; REPRESENTATIONS AND WARRANTIES

1.1 Certain Terms. In addition to the terms defined elsewhere herein, when used herein the following terms shall have the meanings indicated:

"Accepting Party" shall have the meaning set forth in Section 3.3(b).

"Accredited Investor" shall have the meaning set forth for such term in the regulations promulgated under the Securities Act, provided that, for purposes of this Agreement, Accredited Investor shall not include any Person who would be an Accredited Investor solely because he is an executive officer or director of the Corporation.

"Acquisition Proposal" shall have the meaning set forth in Section 3.3(a).

"Additional Director" shall have the meaning set forth in Section 2.2(b).

"Affiliate" of a Person means, any Person controlling, controlled by, or under common control with such Person, within the meaning of Rule 405 under the Securities Act of 1933.

"Agreement" shall mean this Stockholders Agreement, as amended and restated from time to time.

"Board" shall have the meaning set forth in Section 2.1.

"Business Day" means any day other than a Saturday, a Sunday, or a holiday on which national banking associations in the State of Texas are authorized by law to close.

"Bylaws" means the bylaws of the Corporation, as amended or restated from time to time.

"Capital Stock" means any and all shares, interests, participations, or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation), and any and all warrants, options, or other rights to purchase or acquire any of the foregoing.

"Certificate of Incorporation" means the certificate of incorporation of

the Corporation, as amended and restated from time to time.

"CHEX" has the meaning given thereto in the recitals.

"CHEX Sub" has the meaning given thereto in the recitals.

"CHEX Person" shall have the meaning set forth in Section 7.14.

"CHEX Change of Control" shall mean any event (a) constituting the consummation of any merger, consolidation, share exchange or comparable transactions involving CHEX (a "Business Combination") except where (i) the shareholders of CHEX immediately prior to such Business Combination own (in substantially the same proportion relative to each other as such shareholders owned the common stock of CHEX immediately prior to such consummation) (x) 50% or more of the voting stock of the surviving or resulting entity immediately after such Business Combination, and (y) 50% or more of the outstanding common stock of the surviving or resulting entity immediately after such Business Combination, (ii) the members of the board of directors of CHEX immediately prior to the entering into the agreement relating to such Business Combination constitute at least a majority of the board of directors of the surviving or resulting entity immediately after such Business Combination, with no agreements or arrangements in place immediately after such consummation that would result in the members of such board of directors immediately prior to the entering into the agreement relating to such Business Combination ceasing to constitute at least a majority of the board of directors of the surviving or resulting entity and (iii) no Person or group (within the meaning of Section 13(d)(3) under the Exchange Act) of Persons is the beneficial owner of 40% or more of the total outstanding voting stock or common stock of the surviving or resulting entity or (b) pursuant to which any Person or group (within the meaning of Section 13(d)(3) under the Exchange Act) of Persons acquires beneficial ownership of 50% or more of the total outstanding voting stock or common stock of CHEX.

"Common Stock" means shares of the common stock, par value $.01 per share, of the Corporation.

"Common Stock Equivalents" means (without duplication with any other Common Stock or Common Stock Equivalents) rights, warrants, options, convertible securities (including Preferred Stock), or exchangeable securities or indebtedness, or other rights, exercisable for or convertible or exchangeable into, directly or indirectly, Common Stock or securities convertible or exchangeable into Common Stock, whether at the time of issuance or upon the passage of time or the occurrence of some future event.

"Contribution Agreement" has the meaning given thereto in the recitals.

"Corporation" means Gryphon Exploration Company, a Delaware corporation.

"Designee" shall have the meaning set forth in Section 7.14.

"Director" shall have the meaning set forth in Section 2.2.

"Drag-Along Notice" shall have the meaning set forth in Section 3.5(b).

"Equivalent Basis" means the relative value of one share of Preferred Stock to the value of one share of Common Stock, which shall be determined , at the option of the Group A Holder effecting a Transfer pursuant to Section 3.4 or Section 3.5, either (i) by assuming the conversion in full of the Preferred Stock into Common Stock in accordance with its terms, allocating to holders of Preferred Stock of the full value of all accrued and unpaid dividends on such Preferred Stock at the time of determination, (ii) by an independent investment banking firm selected by the Board, who shall, within 30 days after selection by the Board, determine the relative value of the Preferred Stock and the Common Stock using customary investment banking methods giving effect to the value of the liquidation preference of the Preferred Stock, and whose determination shall be conclusive on all parties, or (iii) in the event the proposed consideration being offered with respect to the Preferred Stock (assuming conversion in full of the Preferred Stock and allocating to holders of Preferred Stock of the full value of all accrued and unpaid dividends on such Preferred Stock at the time of determination) in a Transfer governed by Section 3.4 or 3.5 is less than the amount of the full liquidation preference of the Preferred Stock plus accrued

and unpaid dividends, then the consideration shall be allocated first to the Preferred Stock to the extent of the accrued and unpaid dividends thereon, then to the holders of the Preferred Stock and Common Stock on a Common Stock equivalent basis assuming conversion in full of the Preferred Stock but allocating to the Common Stock represented by Preferred Stock two times the amount allocated to Common Stock not represented by Preferred Stock, until the holders of Preferred Stock have received the amount of the full liquidation preference and accrued and unpaid dividends on the Preferred Stock, and thereafter in accordance with clause (i) above.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the Securities and Exchange Commission thereunder.

"Fully-Diluted Common Stock" means, at any time, the then outstanding Common Stock plus (without duplication) (i) all shares of Common Stock issuable upon the conversion of the then outstanding Preferred Stock, (ii) all shares of Common Stock issuable upon exercise of options issued under the Stock Option Plan that are then vested and exercisable.

"Group A Holders" means WPEP and each transferee of Common Stock or Preferred Stock directly or indirectly (in a chain of title) from WPEP; provided that, once a Person is designated a Group A Holder, such Group A Holder and each of its Affiliates shall, as long as it owns any Shares, at all times be a Group A Holder and shall not be a Group B Holder or Group C Holder even if such Group A Holder or its Affiliates acquire Shares from a Group B Holder or from a Group C Holder.

"Group A Representative" means a Group A Holder or group of Group A Holders that own a majority of the shares of Fully-Diluted Common Stock that were acquired, directly or indirectly, under the Contribution Agreement by all Group A Holders.

"Group B Holders" means CHEX Sub and each transferee of Common Stock or Preferred Stock directly or indirectly (in a chain of title) from CHEX Sub; provided that, once a Person is designated a Group B Holder, such Group B Holder and each of its Affiliates shall, as long as it owns any Shares, at all times be a Group B Holder and shall not be a Group A Holder or Group C Holder even if such Group B Holder or its Affiliates acquire Shares from a Group A Holder or from a Group C Holder.

"Group B Representative" means a Group B Holder or group of Group B Holders that own a majority of the shares of Fully-Diluted Common Stock that were acquired, directly or indirectly, under the Contribution Agreement by all Group B Holders.

"Group C Holders" means (a) the Management Group and each transferee of Common Stock or Preferred Stock directly or indirectly (in a chain of title) from the Management Group and (b) each Person that acquired Shares upon the exercise of options under the Stock Option Plan and each transferee of Common Stock or Preferred directly or indirectly (in a chain of title) from any such Person provided that, once a Person is designated a Group C Holder, such Group C Holder and each of its Affiliates shall, as long as it owns any Shares, at all times be a Group C Holder and shall not be a Group A Holder or Group B Holder even if such Group C Holder or its Affiliates acquire Shares from a Group A Holder or from a Group B Holder.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended from time to time.

"Initial Parties" means those parties listed on Schedule I hereto.

"Involuntary Transfer" means a Transfer resulting from the death of a Person or another involuntary Transfer occurring by operation of law (including, but not limited to, transfers resulting from death of such Person, the initiation and continuation for 60 days of bankruptcy proceedings against such Person or, in the case of CHEX Sub, CHEX, the entry of a divorce decree directly involving such Person, the execution of either a judgment or a foreclosure by a court of law against such Person or any other event that forces such Person to Transfer any of its Common Stock or Preferred Stock to a third party). In addition, upon any CHEX Change of Control, a majority of the Group A Holders shall have the right to request an independent nationally recognized investment banking firm reasonably acceptable to the Board to determine (i) the fair market

value of the Shares then owned by CHEX and its subsidiaries, and (ii) whether such shares in the aggregate constitute more than 65% of the aggregate value of the outstanding

common stock of CHEX as of the date of such CHEX Change of Control, using customary valuation techniques determined by such firm. If such investment banking firm makes the determination referred to in clause (ii) above (which determination shall be conclusive and binding on the Parties), then as of the date of such determination such CHEX Change of Control shall be deemed to be an Involuntary Transfer by CHEX Sub of all Shares then owned by CHEX Sub or its subsidiaries, and the fair market value of such Shares for purposes of Section 3.6(b) shall be the value determined by the investment banking firm pursuant to clause (i) above. The Corporation and CHEX shall use their reasonable efforts to cooperate with such investment banking firm to provide whatever information is reasonably necessary to make the above-referenced valuation, and shall use their reasonable efforts to cause such investment banking firm to make its determination as promptly as reasonably practicable.

"Involuntary Transfer Notice" shall have the meaning set forth in Section 3.6.

"Management Group" means Michael Harvey and Ron Krenzke.

"Participation Offer" shall have the meaning set forth in Section 3.4(a).

"Party" means each Initial Party and each other Person that may become a party to this Agreement pursuant to Section 3.7, but shall not mean (i) the Corporation or (ii) any Person who executes this Agreement or a separate agreement to be bound by the terms hereof solely in his or her capacity as a spouse of a Party; provided, however, that if any Party ceases to own any Common Stock or Preferred Stock, then such Party shall cease to be a Party hereunder and shall not thereafter be subject to this Agreement (other than Section 7.6) even if such former Party thereafter acquires Common Stock or Preferred Stock, unless such former Party thereafter acquires Common Stock or Preferred Stock in a transaction in which it becomes a Party again pursuant to Section 3.7.

"Person" means any natural person, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, trust, bank trust company, land trust, business trust, or other organization, whether or not a legal entity, and any government or agency or political subdivision thereof.

"Potential Co-Sale Person" shall have the meaning set forth in Section 3.4(a).

"Potential Offerors" means (i) with respect to a proposed Transfer by a Group B Holder, the Group A Holders, provided that any Group A Holder may assign its right to be considered a Potential Offeror with respect to a proposed Transfer to the Corporation, and (ii) with respect to a proposed Transfer by a Group C Holder, the Corporation, provided that the Corporation may assign its right to be considered a Potential Offeror with respect to a proposed Transfer to Group A Holders and Group B Holders.

"Preemptive Right Holder" shall have the meaning set forth in Section 2.4.

"Preferred Stock" means shares of the Series A Convertible Preferred Stock, par value $.01 per share, of the Corporation.

"Qualified Public Company" means a corporation whose common stock is authorized and approved for listing on a national securities exchange or admitted to trading and quoted in the Nasdaq National Market or comparable system and of which the market value of the outstanding common stock of the corporation owned by non-Affiliates of such corporation is in excess of $50,000,000.

"Qualified Public Offering" means the first closing of one or more underwritten public offerings pursuant to one or more effective registration statements under the Securities Act of 1933, as amended, covering the offer and sale of common stock for the account of the Corporation to the public generally, for which the aggregate net proceeds to the Corporation are not less than

$40,000,000, and in connection with which such shares of common stock are authorized and approved for listing on a national securities exchange or admitted to trading and quoted in the Nasdaq National Market or comparable system.

"Required Holders" means (i) Group A Holders who collectively own at least a majority of the Fully-Diluted Common Stock then owned by all Group A Holders and (ii) Group B Holders who collectively own at least a majority of the Fully-Diluted Common Stock then owned by all Group B Holders.

"ROFR Acceptance Deadline" shall have the meaning set forth in Section 3.3(b)

"ROFR Acceptance Notice" shall have the meaning set forth in Section 3.3(b)

"ROFR Notice" shall have the meaning set forth in Section 3.3(a).

"SEC" means the Securities and Exchange Commission or any successor governmental agency.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Shares" means the Common Stock and Preferred Stock, collectively, and any "Share" shall refer to any one of the foregoing.

"Spouse" shall have the meaning set forth in Section 7.16.

"Stock Option Plan" means the Corporation's 2000 Stock Incentive Plan.

"Substitute Director" has the meaning set forth in Section 2.2(b).

"Transfer," including the correlative terms "Transferring" or "Transferred", means any direct or indirect, transfer, assignment, sale, gift, pledge, hypothecation or other encumbrance, or any other disposition (whether voluntary or involuntary or by operation of law), of Common Stock or Preferred Stock (or any interest (pecuniary or otherwise) therein or right thereto), including without limitation derivative or similar transactions or arrangements whereby a portion or all of the economic interest in, or risk of loss or opportunity for gain with respect to, Common Stock or Preferred Stock is transferred or shifted to another Person; provided, however, that none of the following shall be deemed a Transfer: (i) an exchange, merger, recapitalization, consolidation or reorganization involving the Corporation in which securities of the Corporation

or any other Person are issued in respect of shares of the Common Stock of the Corporation if all shares of Common Stock are treated identically in such transaction, (ii) a conversion of outstanding shares of Preferred Stock into shares of Common Stock, in accordance with the terms thereof and (iii) the exercise of options in accordance with the terms of the Corporation's Stock Option Plan.

"Transferor" shall have the meaning set forth in Section 3.4(a).

"Transferor's Notice" shall have the meaning set forth in Section 3.4(b).

"Voluntary Transfer" means any Transfer other than an Involuntary Transfer.

"Withdrawing Director" shall have the meaning set forth in Section 2.2(b).

"WPEP" means, collectively, Warburg, Pincus Equity Partners, L.P., Warburg, Pincus Netherlands Equity Partners I, C.V., Warburg, Pincus Netherlands Equity Partners II, C.V., and Warburg, Pincus Netherlands Equity Partners III, C.V.; provided that for all purposes hereunder, Warburg, Pincus Equity Partners, L.P. shall be entitled to act on behalf of each of the other Persons named in this definition.

"WPEP Person" shall have the meaning set forth in Section 7.14.

1.2 Representations and Warranties.

(a) Each of the Initial Parties and CHEX (as to itself only) represents and warrants to the Corporation and the other Parties that:

(i) such Person has full power and authority to execute, deliver, and perform this Agreement and to consummate the transactions contemplated hereby, and the execution, delivery, and performance by such Person of this Agreement and the consummation by such Person of the transactions contemplated hereby have been duly authorized by all necessary action;

(ii) this Agreement has been duly and validly executed and delivered by such Person and constitutes the binding obligation of such Person enforceable against such Person in accordance with its terms; and

(iii) the execution, delivery, and performance by such Person of this Agreement and the consummation by such Person of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time, or both, (A) violate any provision of law, statute, rule, or regulation to which such Person is subject, (B) violate any order, judgment, or decree applicable to such Person, or (C) conflict with, or result in a breach or default under, any term or condition of its certificate of incorporation or by-laws, certificate of limited partnership or partnership agreement, as applicable, or any agreement or other instrument to which such Person is a party or by which such Person is bound.

(b) The Corporation hereby represents and warrants to each Party and CHEX that:

(i) it is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware, it has full corporate power and authority under its Certificate of Incorporation to execute, deliver, and perform this Agreement and to consummate the transactions contemplated hereby, and the execution, delivery, and performance by it of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action;

(ii) this Agreement has been duly and validly executed and delivered by the Corporation and constitutes the binding obligation thereof enforceable against the Corporation in accordance with its terms; and

(iii) the execution, delivery, and performance by the Corporation of this Agreement and the consummation by the Corporation of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time, or both, (A) violate any provision of law, statute, rule, or regulation to which the Corporation is subject, (B) violate any order, judgment, or decree applicable to the Corporation, or (C) conflict with, or result in a breach or default under, any term or condition of its Certificate of Incorporation or by-laws or any agreement or other instrument to which the Corporation is a party or by which it is bound.

ARTICLE II

MANAGEMENT OF THE CORPORATION

2.1 Management by Directors. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors (the "Board"), and subject to the restrictions imposed by law, by the Certificate of Incorporation and Bylaws of the Corporation and by this Agreement, they may exercise all the powers of the Corporation.

2.2 Board of Directors.

(a) Composition: Initial Directors. Subject to Section 2.2(b), the Board
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shall consist of five natural persons, who need not be stockholders or residents of the State of Delaware (each, a "Director"). Each Director shall be elected as provided in Section 2.2(b) and shall serve in such capacity until his successor has been elected and qualified or until such person's death, resignation or removal. The initial Board shall consist of the persons listed on Schedule II.

(b) Election of Directors. The Parties and the Corporation shall take all
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action within their respective power, including, but not limited to, the voting of Capital Stock of the Corporation (to the extent that any such Person holds Capital Stock of the Corporation entitled to vote thereon), required to cause the Board to at all times consist of no more than five members (subject to the

other provisions of this Section 2.2(b)) comprised of: (i) two members designated by the Group A Representative for as long as the Group A Holders collectively own at least 20%

of the Fully-Diluted Common Stock and one member designated by the Group A Representative for as long as the Group A Holders collectively own at least 10% but less than 20% of the Fully-Diluted Common Stock; (ii) prior to a CHEX Change of Control only, two members designated by the Group B Representative for as long as the Group B Holders collectively own at least 20% of the Fully-Diluted Common Stock and one member designated by the Group B Representative for as long as the Group B Holders collectively own at least 10% but less than 20% of the Fully-Diluted Common Stock; and (iii) the then chief executive officer of the Corporation. In the event that any Director (a "Withdrawing Director") designated in the manner set forth in the preceding sentence is unable to serve, or once having commenced to serve, is removed or withdraws from the Board, such Withdrawing Director's replacement (the "Substitute Director") on the Board shall be designated in accordance with this Section 2.2(b) by the Party entitled to designate such Director. The Corporation and each of the Parties agrees to take all action within its or his power, including, but not limited to, (i) the voting of Capital Stock of the Corporation to cause the election of such Substitute Director as soon as practicable following his designation and (ii) the instructing of the Directors it had previously designated to serve as members of the Board, as the first order of business at the first meeting thereof after such Substitute Director has been so designated, to vote to seat such designated Substitute Director as a Director in place of the Withdrawing Director. Notwithstanding the foregoing provisions of this Section 2.2(b), at any time, and from time to time, by notice to the Board, as long as the Group A Holders collectively own at least 30% of the Fully-Diluted Common Stock, the Group A Representative shall have the right to cause the Board to be increased to add, if the Group A Holders collectively own at least 30% but less than 40% of the Fully-Diluted Common Stock, one additional member designated by the Group A Representative (for a total of three), and if the Group A Holders collectively own at least 40% of the Fully-Diluted Common Stock, two additional members designated by the Group A Representative (for a total of four) ("Additional Directors"). The Corporation and each of the Parties agrees to take all action within its or his power, including, but not limited to, (i) the voting of Capital Stock of the Corporation to cause the foregoing expansion of the Board and the election of such Additional Directors as soon as practicable following their designation and (ii) the instructing of the Directors it had previously designated to serve as members of the Board, as the first order of business at the first meeting thereof after such Additional Directors have been so designated, to vote to expand the Board as provided above and seat such designated Additional Directors as Directors. In the event any Party entitled to designate a Director or Directors pursuant to this Agreement fails to designate a Director or Directors, such directorship or directorships shall remain vacant unless such vacancy results in less than the minimum number of Directors required by law, in which case such vacancy shall be filled by an individual elected by a majority of the Directors then serving.

(c) Quorum; Vote Required for Board Action. Unless otherwise required by law, each Director shall have one vote. A quorum for the transaction of business at a meeting of the Board shall exist when four Directors are present (regardless of the number of Directors), and the approval of four Directors shall be required to approve any action by the Board; provided, however, that, as long as CHEX Sub owns at least 20% of the Fully-Diluted Common Stock, then without the approval of Directors constituting at least 80% of the full Board, the Board shall not approve any amendment to the Certificate of Incorporation or Bylaws that would adversely affect the rights of CHEX Sub. The Corporation and Parties agree that approval of the Board in the manner set forth above shall be required to issue any notices relating to a Subsequent Financing pursuant to the Contribution Agreement.

(d) Location; Order of Business. The Board may hold its meetings and may have an office and keep the books of the Corporation, in such place or places, within or without the State of Delaware, as the Board may from time to time determine by resolution. At all meetings of the

Board business shall be transacted in such order as shall from time to time be determined by resolution of the Board.

(e) Meetings of the Board. Regular meetings of the Board shall be held at such places as shall be designated from time to time by resolution of the Board. Special meetings of the Board may be called by the Chairman of the Board (if any), the President or, upon written request of any two Directors, by the Secretary. Such notice of special meeting shall state the purpose or purposes of such meeting. Unless determined by the Board pursuant to resolution, notice of any meeting (whether the first meeting, a regular meeting or a special meeting) shall not be required; provided, no action shall be taken at any

meeting of the Board (or any committee on which a designee of the Group A Representative or Group B Representative sits) unless each Director (or committee member, as appropriate) shall have received at least two Business Days' notice of such meeting or shall waive notice of such meeting in writing; provided further, if a Party is then entitled to designate a Director but such Board seat is then vacant, then prior to any action being taken at any such meeting, such Party must also receive at least two Business Days' notice of such meeting or shall waive such notice and such Party also shall receive any materials distributed to the Directors for such meeting prior to such meeting.

(f) Removal. If a Director designated and elected pursuant to the preceding provisions of this Section 2.2 has been designated by the Group A Representative and the Group A Representative requests that such Director be removed (with or without cause) by written notice thereof to the other Parties or (ii) has been designated by the Group B Representative and the Group B Representative requests that such Director be removed (with or without cause) by written notice thereof to the other Parties, then such Director shall be removed, with or without cause, and each Party hereby agrees to vote all Shares owned or held of record by such Party to effect such removal upon any such request. No Director designated by the Group A Representative or by the Group B Representative shall otherwise be involuntarily removed as a Director (or as a member of any committee thereof) except for cause for as long as the Group A Representative or the Group B Representative, as the case may be, is entitled to designate such Director as a member of the Board under Section 2.2(b).

(g) Compensation. Directors, in their capacity as such, shall receive such compensation, if any, for their services as such as may be designated by the Required Holders, provided that such compensation is not in excess of amounts paid on average to board members of comparably sized oil and gas companies. In addition, the Directors shall be entitled to be reimbursed by the Corporation for their respective reasonable out-of-pocket costs and expenses incurred in the course of their services as such.

(h) Cooperation by Parties and the Corporation. Each of the Parties and the Corporation agree to take such action, or refrain from taking such action, as is within its reasonable control to effect the provisions of this Section 2.2 including, without limitation, causing any Director nominated thereby to take or refrain from taking action for the foregoing purpose.

(i) Certain Informational Meetings. The Corporation agrees that it will conduct an operational meeting on the 2nd Wednesday of each month, other than any month in which a regularly scheduled quarterly Board meeting is to be held, at 10:00 a.m. local time at the

principal offices of the Corporation, or at such other time and place as shall be agreed by the Board (including at least one of the Directors designated by the Group A Representative and one of the Directors designated by the Group B Representative, in each case for as long as such Parties are entitled to designate a director), to review the Corporation's exploration and development drilling and acquisition plans of the Corporation. Any Director may attend such meeting, and any Director may include any representative or advisor of the Group A Representative or the Group B Representative (for as long as they are entitled to designate a Director) that such Director deems advisable or appropriate, in his sole discretion, provided that the attendance at such meetings by any non-Board member shall be conditioned upon execution by such Person of a confidentiality agreement acceptable to the Corporation, and the Group A Representative in the case of representatives or advisors of the Group B Representative and the Group B Representative in the case of representatives or advisors of the Group A Representative.

(j) Additional Equity.

(i) Until such time as the Corporation has issued all Preferred Stock that may be issued in Subsequent Financings in accordance with the Contribution Agreement, the Corporation will not, without the written consent of WPEP, sell or issue, or commit to sell or issue, any Common Stock or Common Stock Equivalents, other than pursuant to the Stock Option Plan or pursuant to the terms of the Contribution Agreement.

(ii) The Parties agree that at any time on or after the third anniversary hereof, WPEP may, in its sole discretion, have the right to require to the Board to issue to a Call Notice pursuant to the Contribution Agreement with respect to any of the $75 million of additional Preferred Stock that has not yet been issued in a Subsequent Financing under the Contribution Agreement.

(iii) For as long as the Group B Holders own at least 10% of the Fully-Diluted Common Stock, the Corporation will not issue any Capital

Stock to any Affiliate of WPEP (other than any Person referred to in the definition of WPEP) without the prior written consent of the Group B Representative.

(iv) The Group B Holders and Group C Holders agree that, if the Board approves an amendment to the Certificate of Incorporation to increase the number of shares of authorized Capital Stock of any class, such Parties will vote all Shares held by such Parties entitled to vote on such amendment in favor of such amendment, or execute a written consent in lieu thereof.

2.3 Governance of Subsidiaries. It being the intention of the Parties that any subsidiary of the Corporation be managed in a manner consistent with that of the Corporation, the Corporation hereby agrees that it shall at all times, and each Party agrees to use its best efforts at all times to, cause: (i) each subsidiary's board of directors to consist of the same individuals who serve on the board of directors of the Corporation; (ii) the officers of each subsidiary are to be those persons so identified by the Board; (iii) the corporate governance, management, business and affairs of each subsidiary, including action taken at meetings or by written consent of such subsidiary's board of directors or sole shareholder, is to be conducted in all respects as if (A) the provisions of such subsidiary's articles of incorporation and bylaws

were identical to those of the Corporation and (B) the subsidiary was itself the corporation referred to in this Agreement as the "Corporation," and thus was a party to this Agreement.

2.4 Certain Stock Purchase Rights.

(a) The Corporation hereby grants to each Group A Holder, each Group B Holder and each Group C Holder, in each case, that is an Accredited Investor and that is then a Party ("Preemptive Right Holders") the right to purchase a pro rata share of New Securities (as defined below) which the Corporation, from time to time, proposes to issue, sell, or grant in exchange for cash. "New Securities" shall mean any Capital Stock of the Corporation, including Common Stock and Common Stock Equivalents, but excluding: (i) Preferred Stock issued or to be issued in accordance with the Contribution Agreement, including in a Subsequent Financing contemplated thereby, and any Common Stock issued or sold upon exercise or conversion of any such Preferred Stock; (ii) Common Stock sold to directors, officers or employees or consultants pursuant to stock option plans or other employee benefit plans, in each case as approved by the Board or an authorized committee thereof; or (iii) securities issued or to be issued in a firm commitment underwritten offering registered under the Securities Act.

(b) If the Corporation has determined to undertake an issuance of New Securities for cash, it shall give each Preemptive Right Holder written notice of its intention, describing the type of New Securities, and their price and the general terms upon which the Corporation proposes to issue the same. Each Preemptive Right Holder shall have 10 days after such notice is deemed delivered to agree to purchase up to such Preemptive Right Holder's pro rata share of such New Securities for the price and upon the terms specified in the notice by giving written notice to the Corporation and stating the quantity of New Securities to be purchased. A Preemptive Right Holder's pro rata share, for purposes of this Section 2.4, is the ratio of (i) the number of shares of Fully-Diluted Common Stock then owned by such Preemptive Right Holder prior to the issuance of such New Securities to (ii) the total number of shares of Fully-Diluted Common Stock held by all Preemptive Right Holders prior to the issuance of such New Securities. Each Preemptive Right Holder shall also have a right of over-allotment such that if any Preemptive Right Holder fails to exercise its rights hereunder to purchase any part of its pro rata portion, the other Preemptive Right Holders may purchase such unexercised portion on a pro rata basis (calculated on an iterative basis if necessary) or such other basis as such Preemptive Right Holders shall agree. Any Preemptive Right Holder desiring to exercise an over-allotment right shall indicate in its response to the Corporation the number of additional New Securities up to which it will purchase.

(c) With respect to the portion of the New Securities that the Preemptive Right Holders fail to exercise their right to purchase within such 10-day period, the Corporation shall have 90 days thereafter to sell such portion of the New Securities, at a price and upon terms no more favorable to the purchasers thereof than specified in the Corporation's notice to Preemptive Right Holders pursuant to Section 2.4(b). If the Corporation has not sold within such 90 day period the New Securities in accordance with the foregoing, the Corporation shall not thereafter issue or sell any New Securities for cash, without first again offering such securities to the Preemptive Right Holders in the manner provided above.

ARTICLE III

TRANSFER OF SECURITIES

3.1 General Rule. No Party may Transfer all or any portion of its Preferred Stock or Common Stock except as expressly permitted herein. Any attempted Transfer of all or any portion of Preferred Stock or Common Stock, other than in accordance with the terms of this Agreement shall be, and is hereby declared, null and void ab initio.

3.2 Permitted Transfers

(a) Any Group A Holder or any Group B Holder may Transfer Common Stock and Preferred Stock at any time to any Person or Persons, subject to compliance with the provisions of Sections 3.3, 3.4, (each to the extent applicable) 3.7, and 3.8 of this Agreement.

(b) Notwithstanding Section 3.2(a) of this Agreement, but subject to compliance with Sections 3.7 and 3.8 of this Agreement, any Group A Holder may, without complying with the provisions of Sections 3.4 of this Agreement, Transfer Common Stock or Preferred Stock at any time to any other Group A Holder or to any Affiliate of WPEP who is not a company engaged directly in the oil and gas business.

(c) Any Group C Holder may (i) after the fourth anniversary of the date of this Agreement, effect a Voluntary Transfer of Common Stock or Preferred Stock, subject to compliance with the provisions of Sections 3.3, 3.7, and 3.8 of this Agreement; provided that any Group C Holder may at any time Transfer Common Stock or Preferred Stock to the spouse or children of such Group C Holder or to a trust for the benefit of such Group C Holder or the spouse or children of such Group C Holder, in each case provided such transferee is an Accredited Investor, and subject to complying with Sections 3.7 and 3.8 of this Agreement but without complying with the provisions of Sections 3.3 of this Agreement, and (ii) make an Involuntary Transfer after the date hereof, subject to compliance with the provisions of Sections 3.6, 3.7 and 3.8 of this Agreement.

(d) Notwithstanding anything to the contrary in this Article III, but subject to compliance with Sections 3.7 and 3.8 of this Agreement, any Party may, without complying with the provisions of Section 3.3 or 3.4 (to the extent applicable to the Party), Transfer Common Stock and Preferred Stock (i) in connection with the exercise of its co-sale rights under Section 3.4, (ii) in a transaction governed by Section 3.5, (iii) in a Transfer governed by Section 3.6, subject to compliance therewith, or (iv) in a Transfer governed by Section 3.9, subject to compliance therewith.

3.3 Rights of First Refusal.

(a) Should any Group B Holder or Group C Holder desire to effect a Transfer (other than (i) an Involuntary Transfer or (ii) a Transfer in a Qualified Public Offering) of any of its Shares, pursuant to a bona fide offer from another Person (an "Acquisition Proposal"), the transferring Party shall promptly give notice (the "ROFR Notice") thereof to the Corporation and all of the Potential Offerors. The ROFR Notice shall set forth the following information in

respect of the proposed Transfer: the name and address of the prospective acquiror, each Person that controls the prospective acquiror and the purchase price including a description of any non-cash consideration, provided that any such non-cash consideration may only be in the form of publicly traded securities of a Qualified Public Company.

(b) Each of the other Potential Offerors shall have an optional preferential right, exercisable by giving written notice to the Transferring Party at any time prior to the 20th day after its receipt of the ROFR Notice (the "ROFR Acceptance Deadline"), to acquire a portion of the Shares to be Transferred as described in the ROFR Notice. Each Potential Offeror that notifies the Transferring Party before the ROFR Acceptance Deadline (the "ROFR Acceptance Notice") of its desire to exercise its preferential purchase right is referred to as an "Accepting Party". Each Accepting Party shall have the right to purchase, for a cash purchase price equal to the purchase price set forth in the ROFR Notice (with the value of any non-cash consideration contained therein being the current market value thereof as determined in good faith by the Board by a method deemed acceptable to it, which shall be conclusive), the number and class of Shares (but no more than the number of Shares described in the ROFR Notice) as may be unanimously agreed upon by all of the Accepting Parties or, in the absence of any such agreement (which shall be deemed to be absent if a written agreement signed by all of the Accepting Parties is not delivered to the Transferring Party on or before the 5th Business Day following the expiration of said 20-day period), the lesser of (i) the number of Shares that is in proportion to each such Accepting Party's ownership of Fully-Diluted Common Stock and (ii) the maximum number of shares of Common Stock or Preferred Stock or other Capital Stock that such Accepting Party is willing to purchase as set forth in its ROFR Acceptance Notice. To the extent that the Accepting Parties do not accept for purchase all of the Shares offered by the Transferring Party, the remaining Shares shall be reallocated and offered to the Accepting Parties in proportion to the Accepting Parties' ownership of Fully-Diluted Common Stock

until all of the Shares have been accepted for purchase; provided, however, that no Accepting Parties shall be entitled to purchase any of the Shares unless the Accepting Parties, in the aggregate, purchase all of the Shares covered by the ROFR Notice. The allocation and reallocation procedures contemplated in the preceding sentence shall be completed within 10 days after the expiration of the five Business Day period described in this Section 3.3(b).

(c) The closing of the purchase and sale of Shares to Accepting Parties pursuant to the exercise of their rights of first refusal granted in this Section 3.3 shall be at 9:00 a.m. on the 20th Business Day following the ROFR Acceptance Deadline at the Corporation's principal office, subject to any delay in the closing provided for below or in connection with any arbitration conducted as contemplated in Section 3.3(a), unless the Transferring Party and all of the Accepting Parties otherwise agree. At the closing (unless the closing does not occur as contemplated by the last sentence of Section 3.3(a) of this Agreement) each Accepting Party's pro rata share of the consideration to be paid in accordance with Section 3.3(b) of this Agreement shall be delivered by each Accepting Party to the Transferring Party, and the Transferring Party shall deliver to each Accepting Party such Share certificates representing the Shares so purchased, accompanied by duly executed Share transfer powers, free and clear of all liens, encumbrances and adverse claims with respect thereto and such other matters as are deemed necessary by the Corporation for the proper Transfer of such Shares so purchased to the Accepting Parties on the books of the Corporation.

(d) The Corporation, the Transferring Party and each Accepting Party shall cooperate in good faith in obtaining all necessary governmental and other third Person approvals, waivers and consents required for the closing. Any such closing shall be delayed, to the extent required, until the next succeeding Business Day following the expiration of any required waiting periods under the HSR Act and the obtaining of all necessary governmental approvals deemed reasonably necessary by a Party.

(e) If, in connection with any Transfer under this Section 3.3, any record date for any distribution by the Corporation or any record date for the issuance of any securities of the Corporation occurs on or after the date the Transferring Party gives the ROFR Notice but prior to the closing of the purchase of any Shares by Accepting Parties pursuant to this Section 3.3, then the Accepting Parties shall be entitled to receive, unless the ROFR Notice specifically indicated to the contrary, any such distributions or securities, as the case may be, in respect of the Common Stock or Preferred Stock they acquire pursuant the exercise of their preferential purchase rights, and appropriate documentation shall be delivered at the closing by the Transferring Party to evidence the Accepting Parties' right to receive such distributions or securities.

(f) Subject to compliance with the provisions of Sections 3.7 and 3.8 of this Agreement, if after completion of the foregoing procedures under this Section 3.3, the Potential Offerors fail to elect to purchase all of the Shares subject to the right of first refusal, the Transferring Party may, at any time within 90 days after the ROFR Acceptance Deadline, Transfer all (but not less than all) of the Shares to the proposed transferee under the Acquisition Proposal on terms no more favorable to such transferee than those set forth in the ROFR Notice and offered to the Accepting Parties. After the expiration of such 90-day period, the Transferring Party may not Transfer any of the Shares described in the ROFR Notice without complying again with the provisions of this Agreement if and to the extent then applicable.

3.4 Co-Sale Provisions.

(a) If any Group A Holder proposes to Transfer Common Stock or Preferred Stock for value (such Person being referred to herein as a "Transferor") other than (i) a Transfer in a Qualified Public Offering, (ii) Transfers permitted in Sections 3.2(b) of this Agreement, or (iii) any Transfer governed by the provisions of Section 3.5, then such Transferor shall offer (the "Participation Offer") to include in the proposed Transfer a number of Common Stock or Preferred Stock, as the case may be, designated by any Party but excluding the Transferor (each, a "Potential Co-Sale Person"), not to exceed, in respect of any such Potential Co-Sale Person, the product (rounded to the nearest whole Share) of (A) the aggregate number of Common Stock or Preferred Stock, as the case may be, to be sold by the Transferor to the proposed transferee (the "Proposed Transferee") and (B) a fraction with a numerator equal to the number of Fully-Diluted Common Stock owned by such Potential Co-Sale Person and a denominator equal to the number of Fully-Diluted Common Stock owned by the Transferor and all Potential Co-Sale Persons.

(b) The Transferor shall give written notice to each Potential Co-Sale Person of the Participation Offer (the "Transferor's Notice") at least 15 days prior to the proposed Transfer. The Transferor's Notice shall specify the Proposed Transferee, the number of Common Stock or

Preferred Stock to be Transferred to such Proposed Transferee, the amount and type of consideration to be received therefor (including whether and how such consideration may vary depending upon the number of shares of Common Stock to be included hereunder with respect to a proposed Transfer of Preferred Stock), and the place and date on which the Transfer is to be consummated. Each Potential Co-Sale Person who wishes to include Common Stock or Preferred Stock in the proposed Transfer in accordance with the terms of this Section 3.4 shall so notify the Transferor not more than 10 days after its receipt of the Transferor's Notice. The Participation Offer shall be conditioned upon the Transferor's Transfer of Shares pursuant to the transactions contemplated in the Transferor's Notice with the Proposed Transferee named therein. If any Potential Co-Sale Person has accepted the Participation Offer, the Transferor shall reduce to the extent necessary the number of Shares it otherwise would have sold in the proposed sale so as to permit each Potential Co-Sale Person to sell the number of Shares that they are entitled to sell under this Section 3.4, and the Transferor and each Potential Co-Sale Person shall sell the number of Shares specified in the Participation Offer to the Proposed Transferee in accordance with the terms of such sales set forth in the Transferor's Notice. In the event of a Transfer governed by this Section 3.4 of Preferred Stock, Potential Co-Sale Persons shall have the right to include either Preferred Stock or Common Stock in such sale on an Equivalent Basis; provided, however, that a Party may not include Common Stock in a Transfer of Preferred Stock without first including all shares of Preferred Stock owned by it or its Affiliates.

3.5 Drag Along Rights.

(a) For as long as the Group A Holders, taken together, are the largest holder of Fully-Diluted Common Stock, then, subject to paragraph (c) below, in connection with any Transfer for value of all of the shares of Common Stock and Common Stock Equivalents owned by the Group A Holders to any Person other than an Affiliate of a Group A Holder, the Group A Holders shall have the right to require all other Parties to sell all, but not less than all, of their shares of Common Stock and Preferred Stock on the terms described in paragraph (b) below; provided that the relative value of the Common Stock and Preferred Stock shall be determined on an Equivalent Basis. In lieu of requiring all other Parties to sell Shares pursuant to the foregoing, the Group A Holders may at their option require such Parties instead to vote in favor of a merger, consolidation or other statutory transaction that would be equivalent to a transfer of all of the Shares that would be subject to this Section 3.5, and/or to waive any statutory dissenters' rights of appraisal under the Delaware General Corporation Law or otherwise with respect to such a transaction.

(b) In connection with any proposed Transfer subject to this Section 3.5, the Group A Holders shall give written notice to each other Party at least twenty (20) days prior to such Transfer, which notice shall specify the amount and type of consideration to be received for the Common Stock and Preferred Stock to be received by the Group A Holders in connection with such Transfer, and the place and date on which the Transfer is expected to be consummated (a "Drag-Along Notice"). The consideration to be received by the Parties other than the Group A Holders in a Transfer governed by this Section 3.5 shall be equal to the consideration to be received by the Group A Holders (subject to paragraph (a) above) as reflected in the Drag-Along Notice.

(c) Each Party to a Transfer pursuant to this Section 3.5 shall not be required to make any representations or warranties in connection with such Transfer other than representations and warranties as to (i) such Person's ownership of the shares of Common Stock and Preferred Stock to be Transferred free and clear of all liens, claims and encumbrances, (ii) such Party's power and authority to effect such Transfer, and (iii) such matters pertaining to compliance with securities laws as the transferee may reasonably require.

(d) The closing of such purchase by the transferee shall be on the same date that the transferee acquires securities from the Group A Holders (it being acknowledged that in no event shall the Group A Holders be obligated to Transfer any securities and the other Parties shall not be obligated to Transfer any securities unless and until the Group A Holders Transfer securities hereunder), provided that such other Parties are given twenty (20) days advance notice of such closing; provided further, however, that any such closing shall be delayed, to the extent required until two Business Days following the expiration of any required waiting periods under the HSR Act and the obtaining of all other governmental approvals reasonably deemed necessary by a Party.

(e) Each Party who participates in a Transfer pursuant to this Section 3.5 shall promptly perform, whether before or after any such closing, such additional acts (including, without limitation, executing and delivering additional documents) as are reasonably required to effect more fully the transactions contemplated by this Section 3.5.

3.6 Involuntary Transfers.

(a) In the event of an Involuntary Transfer of any Common Stock or Preferred Stock by a Group C Holder, such Group C Holder shall give written notice (an "Involuntary Transfer Notice") to the Corporation promptly after the

occurrence of the event which caused such Involuntary Transfer. After receipt of an Involuntary Transfer Notice, the Corporation shall have the option for 90 days from the date of receipt of the Involuntary Transfer Notice to elect to purchase such Group C Holder's Shares within such 90-day period at their fair market value. As used herein, "fair market value" shall mean such reasonable and fair value as determined in good faith by the Board using a generally accepted method of valuation. In the event of the death of a Group C Holder, any Transfer of the Common Stock or Preferred Stock to the Group C Holder's spouse or descendants shall not be subject to this Section 3.6 (but shall be subject to Sections 3.7 and 3.8). In the event that a Group C Holder's employment with the Corporation is terminated by the Corporation for "Misconduct" within the meaning of his or her employment agreement (or for reason substantially equivalent to "Misconduct" as defined in the Employment Agreements entered into between the Corporation and the Management Group on or about the date of this Agreement), as determined in good faith by the Board), such event shall be deemed to be an Involuntary Transfer for purposes of this Section 3.6 and Group C Holder shall be required to offer to sell his Common Stock and Preferred Stock to the Corporation in compliance with this Section 3.6.

(b) In the event of an Involuntary Transfer of any Common Stock or Preferred Stock by a Group B Holder, such Group B Holder shall give written notice (an "Involuntary Transfer Notice") to the Group A Holders promptly after the occurrence of the event which caused such Involuntary Transfer. After receipt of an Involuntary Transfer Notice, the Group A Holders shall

have the option for 90 days from the date of receipt of the Involuntary Transfer Notice to elect to purchase such Group B Holder's Shares, on a pro rata basis among themselves or on such other basis as they shall agree, within such 90-day period at their fair market value. As used herein, "fair market value" shall mean such reasonable and fair value as determined in good faith by the Board using a generally accepted method of valuation. In the event of the death of an individual Group B Holder, any Transfer of the Common Stock or Preferred to the Group B Holder's spouse or descendants shall not be subject to this Section 3.6 (but shall be subject to Sections 3.7 and 3.8). In lieu of requiring a sale of Shares pursuant to the foregoing, the Group A Holders may at their option require the Group B Holders instead to vote in favor of a merger, consolidation or other statutory transaction that would be equivalent to a transfer of all of the Shares that would be subject to this Section 3.6(b), and/or to waive any statutory dissenters' rights of appraisal under the Delaware General Corporation Law or otherwise with respect to such a transaction.

(c) In the event of an Involuntary Transfer of any Common Stock or Preferred Stock by a Group A Holder, such Group A Holder shall give an Involuntary Transfer Notice to the Group B Holders promptly after the occurrence of the event which caused such Involuntary Transfer. After receipt of an Involuntary Transfer Notice, the Group B Holders shall have the option for 90 days from the date of receipt of the Involuntary Transfer Notice to elect to purchase such Group A Holder's Shares, on a pro rata basis among themselves or on such other basis as they shall agree, within such 90-day period at their fair market value. As used herein, "fair market value" shall mean such reasonable and fair value as determined in good faith by the Board using a generally accepted method of valuation. In the event of the death of an individual Group A Holder, any Transfer of the Common Stock or Preferred to the Group A Holder's spouse or descendants shall not be subject to this Section 3.6 (but shall be subject to Sections 3.7 and 3.8).

(d) The closing of any purchase pursuant to Section 3.6 shall be on the Business Day specified by the Corporation, in the case of clause (a), or the Group A Holders, in the case of clause (b), or the Group B Holders, in the case of clause (c), provided that the Transferring Party is given twenty (20) days advance notice of such closing; provided further, however, that any such closing shall be delayed, to the extent required until two Business Days following the expiration of any required waiting periods under the HSR Act and the obtaining of all other governmental approvals reasonably deemed necessary by a Party. Each Party who participates in a Transfer pursuant to this Section 3.6 shall promptly perform, whether before or after any such closing, such additional acts (including, without limitation, executing and delivering additional documents) as are reasonably required to effect more fully the transactions contemplated by this Section 3.6.

3.7 Conditions to Permitted Transfers; Continued Applicability of Agreement.

(a) As a condition to any Transfer permitted under this Agreement, any transferee (other than any transferee that is then a Party) of Common Stock or Preferred Stock shall be required to become a party to this Agreement, by executing (together with such Person's spouse, if applicable) an Adoption Agreement in substantially the form of Annex A to this Agreement. If any Person acquires Common Stock or Preferred Stock from a Person in a Transfer, notwithstanding such Person's failure to execute an Adoption Agreement in accordance with the

preceding sentence (whether such Transfer resulted by operation of law or otherwise), such Person and such Common Stock and Preferred Stock shall be subject to this Agreement.

(b) The Parties hereby acknowledge that any Person that acquires Common Stock pursuant to the exercise of options under the Stock Option Plan shall be required to become a party to this Agreement, by executing (together with such Persons' spouse, if applicable) an Adoption Agreement.

3.8 Transfers Subject to Compliance with Securities Act. No Common Stock or Preferred Stock may be Transferred by a Person (other than pursuant to an effective registration statement under the Securities Act) unless such Person first delivers to the Corporation an opinion of counsel, which opinion of counsel shall be reasonably satisfactory to the Corporation, to the effect that such Transfer is not required to be registered under the Securities Act.

3.9 Transfer by Pledge. No Shares shall be pledged or otherwise voluntarily encumbered unless the following procedure are followed:

(a) The Corporation shall receive notice at least 3 Business days prior to any pledge or encumbrance of Shares specifying the person to whom the Shares will be pledged or otherwise encumbered and the location at which the certificates representing the Shares will be held;

(b) The Corporation shall be provided, promptly upon execution by the pledging Party, with copies of all security agreements relating to the pledged Shares and a summary of any oral agreements affecting the Shares, all as amended from time to time;

(c) The pledging Party and the secured party under the pledge or encumbrance (including any trustees or agents for the secured party) shall execute and deliver an agreement in form and substance reasonably satisfactory to the nonpledging Parties and the Corporation to the effect that (i) those Persons agree to be bound by the terms of this Agreement, (ii) the secured party shall notify the Corporation and nonpledging Parties of the date, time and location of any foreclosure upon pledged or encumbered Shares at least sixty (60) days prior to the foreclosure, (iii) that any notice of foreclosure shall be deemed to be an Involuntary Transfer subject to Section 3.6, and (iv) if the Persons entitled to purchase such Shares under Section 3.6 elects to purchase the pledged Shares within the sixty (60) day period, the foreclosure shall not be held and the pledged Shares shall be sold and delivered by the pledging Party and the secured party to the Persons entitled to purchase such Shares under Section 3.6 in accordance with Section 3.6. If for any reason the pledged Shares are foreclosed upon, the foreclosure shall be considered an Involuntary Transfer and the provisions of Section 3.6 shall govern.

3.10 Matters Relating to CHEX Sub. CHEX represents to the Parties that it directly owns 100% of the outstanding Capital Stock of CHEX Sub, and agrees that, notwithstanding anything to the contrary in this Agreement, (i) it will not Transfer any shares of Capital Stock of CHEX Sub or permit any other Person to own or have any right to acquire any shares of Capital Stock of CHEX Sub, (ii) it will not permit CHEX Sub to hold any assets other than Shares or cash or to incur any liabilities or engage in any business activity other than ministerial activities and activities incident to its ownership of Shares, and (iii) it will take whatever actions shall be

required to cause CHEX Sub to perform its obligations under this Agreement. CHEX further agrees that any certificates representing shares of Capital Stock of CHEX Sub will bear a legend to the effect the effect that the shares represented by such certificate are subject to the transfer restrictions set forth in this Agreement.

ARTICLE IV

REGISTRATION OF STOCK

4.1 Registration Rights. The Corporation hereby grants to each Party the applicable registration rights with respect to Common Stock and Preferred Stock set forth in Exhibit A hereto (and such Exhibit A is incorporated herein by reference).

ARTICLE V

CERTAIN COVENANTS OF THE CORPORATION

5.1 Financial Statements. The Corporation covenants that it will deliver to any Party owning at least 20% of the Fully-Diluted Common Stock:

(a) as soon as practicable and in any event within 30 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, consolidated and consolidating statements of income, changes in

stockholders' equity and changes in financial position of the Corporation and its subsidiaries for such quarterly period and for the period from the beginning of the current fiscal year to the end of such quarterly period and a consolidated and consolidating balance sheet of the Corporation and its subsidiaries as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and in satisfactory scope to the Board of Directors and prepared in accordance with United States generally accepted accounting principles ("GAAP") on a basis consistent with past practice, and in each case certified by the chief financial officer or chief executive officer of the Corporation as fairly presenting the financial condition of the Corporation and its subsidiaries, subject to the changes resulting from audit and year-end adjustments; and

(b) as soon as practicable and in any event within 60 days after the end of each fiscal year, consolidated and consolidating statements of income, changes in stockholders' equity and changes in financial position of the Corporation and its subsidiaries for such year, and a consolidated and consolidating balance sheet of the Corporation and its subsidiaries as at the end of such year, setting forth in each case in comparative form corresponding figures from the preceding annual audit, all in reasonable detail and satisfactory in scope to the Board of Directors, and in each case audited for the Corporation by Pricewaterhouse Coopers, LLC, or other independent public accountants of recognized national standing selected by the Corporation and approved by the Required Holders, whose report shall state that such consolidated financial statements present fairly the results of operations and cash flows of the Corporation and its subsidiaries in accordance with GAAP on a basis consistent with prior years and that the examination by such accountants has been made in accordance with generally accepted auditing standards.

5.2 Books and Records; Inspection Rights. The Corporation will keep, and will cause each of its subsidiaries to keep, proper books of record and accounts in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities. The Corporation covenants that through contacts with the Corporation's chief executive officer or a process approved by the chief executive officer, the Corporation will permit representatives of WPEP and CHEX Sub (including representatives of CHEX), each so long as each of them owns at least 20% of the Fully-Diluted Common Stock, to visit and inspect the properties of the Corporation and its subsidiaries, to examine the corporate, financial, operating and other internal management records of the Corporation and its subsidiaries and make copies thereof or extracts therefrom and to discuss the affairs, finances and accounts of such corporations with the Directors, officers and independent accountants of the Corporation and its subsidiaries, all at such reasonable times as such Parties may reasonably request.

5.3 Cooperation with CHEX. For as long as CHEX Sub owns at least 20% of the Fully-Diluted Common Stock, the Corporation will cooperate with CHEX and use its reasonable efforts to furnish information on the status and operations of the Corporation that CHEX reasonably deems necessary to satisfy its public reporting requirements.

5.4 Reserve and Operating Reports . For as long as CHEX Sub owns at least 20% of the Fully-Diluted Common Stock: (a) on or before February 28 of each calendar year, the Corporation will furnish to CHEX a reserve report, prepared as of the preceding December 31, by independent petroleum engineers chosen by the Corporation, evaluating all oil and gas properties and interests owned by the Corporation; (b) the Corporation will promptly furnish to CHEX copies of such additional reserve reports with respect to the Corporation's oil and gas interests as may be prepared from time to time by or on behalf of the Corporation; and (c) within 30 days after the end of each month, the Corporation will furnish CHEX a report describing by lease or unit the gross volume of production and sales of production from or attributable to the Corporation's oil and gas interests during the preceding month and describing the revenues received and the severance taxes, other taxes, leasehold operating expenses and capital costs attributable to the such interests and incurred during the preceding month, to the extent such information is then available to the Corporation.

5.5 Statutory Rights. The provisions of this Article V shall not be in limitation of any rights which any Party may have with respect to the books and records of the Corporation and its subsidiaries, if any, or to inspect their properties or discuss their affairs, finances and accounts, under the laws of the jurisdictions in which they are incorporated.

ARTICLE VI

TERMINATION

6.1 Termination. The provisions of Article II, Article III (other than Section 3.8), and Article V of this Agreement shall terminate in respect of all Parties (a) after the consummation of a Qualified Public Offering, (b) upon consummation of a merger or other business combination involving the Corporation

whereby the Common Stock becomes (whether by conversion, exchange or otherwise) a security that is listed or admitted to trading on the New

York Stock Exchange or another national securities exchange or is quoted or admitted to trading on the National Market System of the National Association of Securities Dealers, Inc., or a security whose market price is available through the National Quotation Bureau Incorporation or a similar generally accepted reporting service, (c) upon the written consent of the Required Holders, (d) upon the dissolution, liquidation, or winding-up of the Corporation, or (e) upon consummation of a transaction contemplated by Section 3.5. A Person who ceases to own any Common Stock or Preferred Stock shall cease to be a Party and shall have no further rights under this Agreement, but shall remain subject to Section 7.6 hereof.

ARTICLE VII

MISCELLANEOUS

7.1 Amendment. This Agreement may only be altered, supplemented, amended or waived by the written consent of the Required Holders; provided, however, that in no event shall any amendment impose any additional material obligation on any Party without such Party's written consent; provided further, however, (i) any Party may (without the consent of any other Person) waive, in writing, any obligation owed to it hereunder by any other Party or the Corporation, and (ii) any Party may (without the consent of any other Person) waive, in writing, any right it has hereunder.

7.2 Specific Performance. The Parties and the Corporation recognize that the obligations imposed on them in this Agreement are special, unique, and of extraordinary character, and that in the event of breach by any party, damages will be an insufficient remedy; consequently, it is agreed that the Parties and the Corporation may have specific performance and injunctive relief (in addition to damages) as a remedy for the enforcement hereof, without proving damages.

7.3 Assignment. Except as otherwise expressly provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties and the Corporation. No such assignment shall relieve the assignor from any liability hereunder. Any purported assignment made in violation of this Section 7.3 shall be void and of no force and effect.

7.4 Legends. (a) Each certificate for Common Stock or Preferred Stock shall include a legend in substantially the following form:

> THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD, UNLESS IT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE (AND, IN SUCH CASE, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION SHALL HAVE BEEN DELIVERED TO THE CORPORATION TO THE EFFECT THAT SUCH OFFER OR SALE IS NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT).

> THIS SECURITY IS SUBJECT TO CERTAIN VOTING AGREEMENTS, RESTRICTIONS ON TRANSFER, AND OTHER TERMS AND CONDITIONS SET FORTH IN THE STOCKHOLDERS AGREEMENT, DATED AS OF OCTOBER 11, 2000, A COPY OF WHICH MAY BE OBTAINED FROM THE CORPORATION AT ITS PRINCIPAL EXECUTIVE OFFICES.

(b) A restriction on transfer of shares set forth in such legends (a "Restriction") shall cease and terminate as to any particular shares when, in the opinion of the Corporation and counsel reasonably satisfactory to the Corporation (which opinion shall be delivered to the Corporation in writing), such Restriction is no longer required. Whenever such Restriction shall cease and terminate as to any shares, the holder thereof shall be entitled to receive from the Corporation, without expense to such holder, new certificate(s) not bearing a legend stating such Restriction.

7.5 Notices. Any and all notices, designations, consents, offers, acceptances, or other communications provided for herein (each a "Notice") shall be given in writing by overnight courier, telegram, or telecopy which shall be addressed, or sent, to the respective addresses as follows (or such other address as the Corporation or any Party may specify to the Corporation and all other Parties by Notice):

The Corporation: Gryphon Exploration Company
Two Allen Center
1200 Smith Street, Suite 1740
Houston, Texas 77002
Attention: Chief Executive Officer
Telecopy: (713) 659-5459

CHEX: Cheniere Energy, Inc.

Two Allen Center
1200 Smith Street, Suite 1740
Houston, Texas 77002
Attention: Charif Souki

Each Party: To such address or telecopy number of such Party as is set forth on Schedule I hereto or as such Party provides by notice to the Corporation and all other Parties or, if such address is not so provided, to such Party's address as is reflected on the stock transfer records of the Corporation at such time.

All notices shall be deemed effective and received (a) if given by telecopy, when such telecopy is transmitted to the telecopy number specified above and receipt thereof is confirmed; (b) if given by overnight courier, on the business day immediately following the day on which such notice is delivered to a reputable overnight courier service; or (c) if given by telegram, when such notice is delivered at the address specified above. Until consummation of a Qualified Public Offering, in order to effectuate the purposes of this Agreement, the Corporation agrees that (i) it will maintain a record of the names and addresses of the Parties and the number of shares of Common Stock and Preferred Stock owned by the Parties and by Group A Holders,

Group B Holders and Group C Holders, (ii) at the request of any Party, it will provide such Party with a copy of the record, (iii) it will promptly notify the Parties in the event the Corporation receives notice that any shares of Common Stock or Preferred Stock have been (or have purported to be) Transferred by or to any Party (including the name of the transferor and transferee or purported transferor or transferee and the number of shares transferred or purported to be transferred), (iv) it will not register, in the name of any Person, any shares subject to this Agreement unless the transferor and transferee have complied with the terms of this Agreement and (v) it will not issue to any Person any stock certificate representing shares subject to this Agreement unless the legend referred to in Section 7.4 is set forth thereon.

7.6 Confidentiality. The Parties shall, and shall cause their respective officers, directors, employees, and agents and the subsidiaries of the Parties and their respective officers, directors, employees, and agents to, hold confidential and not use in any manner detrimental to the Corporation or any of its subsidiaries all information they may have or obtain concerning the Corporation or any of its subsidiaries and their respective assets, business, operations, or prospects or the arrangements among the Parties and the Corporation; provided, however, that the foregoing obligation to hold such information confidential shall not apply to (a) information that is or becomes generally available to the public other than as a result of a disclosure by a Party or any of its employees, agents, accountants, legal counsel, or other representatives, (b) information that is or becomes available to a Party or any of its employees, agents, accountants, legal counsel, or other representatives on a non-confidential basis prior to its disclosure by the Corporation or its employees, agents, accountants, legal counsel, or other representatives, and (c) information that is required to be disclosed by a Party or any of its employees, agents, accountants, legal counsel, or other representatives as a result of any applicable law (including public reporting requirements under federal and state securities laws); provided further, however, that in the event information is required to be disclosed pursuant to clause (c), the Party proposing such disclosure shall provide the Board of Directors an opportunity, reasonably in advance of any such disclosure, to review and comment on the form and content of such proposed disclosure.

7.7 Counterparts. This Agreement may be executed in one or more counterparts and each counterpart shall be deemed to be an original and which counterparts together shall constitute one and the same agreement of the parties hereto.

7.8 Section Headings. Headings contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, or extend the scope or intent of this Agreement or any provisions hereof.

7.9 Choice of Law. This Agreement shall be governed by the internal laws of the State of Delaware without regard to the principles of conflicts of laws thereof.

7.10 Entire Agreement. This Agreement, and the agreements referred to herein, contain the entire understanding of the parties hereto respecting the subject matter hereof and supersedes all prior agreements, discussions and understandings with respect thereto.

7.11 Cumulative Rights. The rights of the Parties and the Corporation under this Agreement are cumulative and in addition to all similar and other rights of the parties under other agreements.

7.12 Severability. If any term, provision, covenant, or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the terms, provisions, covenants, and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

7.13 Binding Effect. Subject to the restrictions on Transfers set forth in this Agreement, this Agreement is binding on and inures to the benefit of the Parties and their respective heirs, legal representatives, successors, and assigns.

7.14 Corporate Opportunity Matters. In accordance with Section 122, paragraph (17) of the Delaware General Corporation Law (or any successor statute thereto), the Corporation hereby renounces any interest or expectancy in any business opportunity (including specifically any business opportunity of a type that is similar to or related to any business activity that is conducted or may be conducted by the Corporation) that is pursued by (a) WPEP or any of its officers, directors, partners or Affiliates, or any person acting on WPEP's behalf as a director or manager of any Person, including the Corporation (each, a "WPEP Person"), or any other Person that may be deemed to be controlled by any WPEP Person or WPEP Persons, other than any business opportunity that is brought to the attention of such WPEP Person by an officer or employee of or consultant to the Corporation acting in his capacity as such, or (b) CHEX or any of its officers, directors, shareholders or Affiliates, or any person acting on CHEX's behalf as a director or manager of any Person, including the Corporation (each, a "CHEX Person"), or any other Person that may be deemed to be controlled by any CHEX Person or CHEX Persons, other than any business opportunity that is brought to the attention of such CHEX Person by an officer or employee of or consultant to the Corporation acting in his capacity as such; provided that (i) if such opportunity is separately identified by a WPEP Person or CHEX Person or separately presented to a WPEP Person or CHEX Person by a person other than a Board designee of CHEX or WPEP (a "Designee"), such CHEX Person or WPEP Person shall be free to pursue such opportunity even if it also came to the Designee's attention as a result of and in his or her capacity as a director of the Corporation and (ii) if such opportunity is presented to or identified by a Designee other than as a result of and in his or her capacity as a director of the Corporation, a WPEP Person or CHEX Person shall be free to pursue such opportunity even if it also came to the Designee's attention as a result of and in his or her capacity as a director of the Corporation. Nothing in this Agreement will allow a Board member to usurp a corporate opportunity solely for his or her personal benefit. All of the forgoing shall be subject to any limitations set forth in Section 5(d) of the Contribution Agreement. The Corporation shall not be prohibited from pursuing any business opportunity with respect to which it has renounced any interest or expectancy as a result of this Section 7.14.

7.15 Further Assurances. In connection with this Agreement and the transactions contemplated hereby, each Party shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

7.16 Spouses. Each reference herein to the Shares owned by a Party includes the community property interest of such Party's spouse (if any) (each, a "Spouse") in such Shares. The obligation of a Party to vote such Shares in the manner set forth herein includes an obligation on the part of such Party's Spouse to vote such Spouse's community property interest in such stock in the same manner. Each Spouse is fully aware of, understands and fully consents and agrees to the provisions of this Agreement and its binding effect upon any community property interest such Spouse may now or hereafter own. Each Spouse agrees that the termination of his or her marital relationship with a Party for any reason shall not have the effect of removing any Shares of the Corporation otherwise subject to this Agreement from its coverage. Each Spouse's awareness, understanding, consent and agreement are evidenced by the execution of this Agreement by such Spouse. In addition, each Spouse hereby acknowledges that the Corporation and the Parties may desire to amend this Agreement from time to time, and such Spouse hereby appoints his or her spouse as his or her true and lawful proxy and attorney, with full power of substitution to enter into any such amendment to this Agreement. Such proxy is irrevocable and will survive the death, incompetency, and disability of such Spouse, provided that upon termination of this Agreement pursuant to Section 6.1 or otherwise, the above authorized proxy shall become null and void. Each such Spouse agrees, for such Spouse and such Spouse's heirs, executors, administrators, guardians and other personal representatives, to offer for sale all Shares now owned or hereafter acquired by such Spouse upon the happening of the events and on the terms and conditions set forth in this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

CHENIERE ENERGY, INC.

By:_____

CHENIERE-GRYPHON
MANAGEMENT, INC.

By:_____

GRYPHON EXPLORATION COMPANY

By:_____

WARBURG, PINCUS EQUITY
PARTNERS, L.P.
By: Warburg Pincus & Co., Inc., its
general partner

By:_____

WARBURG, PINCUS NETHERLANDS
EQUITY PARTNERS I, C.V, L.P.
By: Warburg Pincus & Co., Inc., its
general partner

By:_____

WARBURG, PINCUS NETHERLANDS
EQUITY PARTNERS II, C.V, L.P.
By: Warburg Pincus & Co., Inc., its
general partner

By:_____

WARBURG, PINCUS NETHERLANDS
EQUITY PARTNERS III, C.V, L.P.
By: Warburg Pincus & Co., Inc., its
general partner

By:_____

MICHAEL L. HARVEY

_____

_____
Spouse (for purposes of Section 7.16)

RON A. KRENZKE

_____

_____
Spouse (for purposes of Section 7.16)

SCHEDULE I

INITIAL Parties

<TABLE>
<CAPTION>

Stockholder	No. of shares of Preferred Stock	No. of shares of Common Stock
<S>	<C>	<C>
Warburg, Pincus Equity Partners, L.P. 466 Lexington Avenue 10th Floor New York, NY 10017	23,578	0

Warburg, Pincus Netherlands Equity Partners I, C. V. 466 Lexington Avenue 10th Floor New York, NY 10017	748	0
Warburg, Pincus Netherlands Equity Partners II, C. V. 466 Lexington Avenue 10th Floor New York, NY 10017	499	0
Warburg, Pincus Netherlands Equity Partners III, C. V. 466 Lexington Avenue 10th Floor New York, NY 10017	125	0
Cheniere-Gryphon Management, Inc. 1200 Smith Street Suite 1740 Houston, TX 77002	0	145,600
Michael Harvey #1 Ourlane Court Houston, TX 77024	25	0
Ron A. Krenzke 5151 Edloe, #14202 Houston, TX 77005	25	0

</TABLE>

SCHEDULE II

INITIAL BOARD

Peter R. Kagan
Howard H. Newman
Charif Souki
Michael L. Harvey
Charles M. Reimer

ANNEX A

ADOPTION AGREEMENT

This Adoption Agreement ("Adoption") is executed pursuant to the terms of the Stockholders Agreement of Gryphon Exploration Company (the "Corporation") dated as of October 11, 2000, a copy of which is attached hereto (the "Stockholders Agreement"), by the transferee ("Transferee") executing this Adoption. By the execution of this Adoption, the Transferee agrees as follows:

1. Acknowledgment. Transferee acknowledges that Transferee is acquiring certain shares of Common Stock or Preferred Stock from the Corporation or a stockholder of the Corporation, subject to the terms and conditions of the Stockholders Agreement. Capitalized terms used herein without definition are defined in the Stockholders Agreement and are used herein with the same meanings set forth therein.

2. Agreement. Transferee (a) agrees that the shares of Common Stock or Preferred Stock acquired by Transferee shall be bound by and subject to the terms of the Stockholders Agreement and (b) hereby joins in, and agrees to be bound by, the Stockholders Agreement with the same force and effect as if he were originally a party thereto.

3. Notice. Any notice required as permitted by the Stockholders Agreement shall be given to Transferee at the address listed beside Transferee's signature below.

4. Joinder. The spouse of the undersigned Transferee, if applicable, executes this Adoption to acknowledge its fairness and that it is in such spouse's best interests, and to bind such spouse's community interest, if any, in the shares of Common Stock or Preferred Stock to the terms of the Stockholders Agreement.

EXECUTED AND DATED on this ____ day of _____, _____.

TRANSFEREE:

By:_____

Notice
Address:_____

_____

_____

SPOUSE:

By:_____

EXHIBIT A

to
STOCKHOLDERS AGREEMENT
(the "Agreement")
dated as of October 11, 2000
by and among
GRYPHON EXPLORATION COMPANY
and
THE OTHER PARTIES THERETO

REGISTRATION RIGHTS

Except as otherwise set forth below, terms defined in the Agreement are used herein as therein defined.

1. Definitions.

"Demand Holder" means any Group A Demand Holder or Group B Demand Holder.

"Demand Registration" has the meaning set forth in Section 2(a) below.

"Demand Request" has the meaning set forth in Section 2(a) below.

"Demand Shelf Registration" has the meaning set forth in Section 2(a) below.

"Group A Demand Holder" means a Group A Holder or group of Group A Holders that own a majority of the Fully-Diluted Common Stock owned by all Group A Holders, based solely on Registrable Securities owned by all Group A Holders.

"Group B Demand Holder" means a Group B Holder or group of Group B Holders that own a majority of the Fully-Diluted Common Stock owned by all Group B Holders, based solely on Registrable Securities owned by all Group B Holders.

"Holder" means a Group A Holder, a Group B Holder or a Group C Holder who holds Registrable Securities; provided, however, that a Person shall cease to be a Holder if and when such Person owns Common Stock and Common Stock Equivalents representing (i) less than four percent of the Fully-Diluted Common Stock and all Registrable Securities then owned by such Person are eligible for resale pursuant to Rule 144(k) (or any successor rule) under the Securities Act, or (ii) less than two percent of the Fully-Diluted Common Stock and all Registrable Securities then owned by such Person are eligible for resale pursuant to Rule 144 (or any successor rule) under the Securities Act, then in each such case the Registrable Securities owned by such Person shall cease to be Registrable Securities and such Person shall cease to be a Holder.

"Indemnified Party" has the meaning set forth in Section 7(c) below.

"Indemnifying Party" has the meaning set forth in Section 7(c) below.

"Initial Registration Time" has the meaning set forth in Section 2(a)(i) below.

"Initial Public Offering" means a consummated public offering of Common Stock which is underwritten on a firm commitment basis by one or more Underwriters.

"Inspectors" has the meaning set forth in Section 5(j) below.

"Material Adverse Effect" has the meaning set forth in Section 2(d) below.

"Records" has the meaning set forth in Section 5(j) below.

"Registrable Securities" means all shares of Common Stock of the Corporation issued pursuant to the Contribution Agreement and any shares of Common Stock into which Preferred Stock is convertible or exchangeable, and any other securities issued or issuable with respect to such securities by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or reorganization; provided that any Registrable Security will cease to be a Registrable Security when (a) a registration statement covering such Registrable Security has been declared effective by the SEC and they have been disposed of pursuant to such effective registration statement, (b) it is sold under circumstances in which all of the applicable conditions of Rule 144 (or any similar provisions then in force) under the Securities Act are met, (c) (i) it has been otherwise transferred and (ii) the Corporation has delivered a new certificate or other evidence of ownership for it not bearing any legend similar to that required pursuant to Section 7.4 of the Agreement and (iii) it may be resold without subsequent registration under the Securities Act, or (d) it has ceased to be a Registrable Security in accordance with the proviso to the definition of Holder provided for herein.

"Registration Expenses" has the meaning set forth in Section 6 below.

"Requesting Holders" means the Group A Demand Holder or the Group B Demand Holder, as applicable.

"Selling Holder" means a Holder who is selling Registrable Securities pursuant to a registration statement under the Securities Act.

"Underwriter" means a securities dealer which purchases any Registrable Securities as principal and not as part of such dealer's market-making activities.

2. Demand Registration.

(a) Request for Registration.

(i) From and after the expiration of the lock-up period agreed to by the Corporation in connection with the consummation of an Initial Public Offering or the first date that the Common Stock shall be registered under the Exchange Act if there is no such lock-up period in connection with an Initial Public Offering (the "Initial Registration Time"), (A) any Demand Holder may make a written request of the Corporation (a "Demand Request") for registration under the Securities Act (a "Demand Registration") of the sale of all or part of its Registrable Securities (including a distribution by WPEP to its partners and by CHEX to its shareholders, as applicable); provided that the Registrable Securities proposed to be sold by the Requesting Holders must have an estimated aggregate gross offering price of at least $10,000,000, and (B) the Group A Demand Holder may make a Demand Request for registration under the Securities Act covering the resale (including a distribution by WPEP to its partners) of all or part of its Registrable Securities pursuant to a continuous or "shelf" registration statement (a "Demand Shelf Registration"); provided that for purposes of this clause (B), the Initial Registration Time shall be one year following the Corporation's Initial Public Offering.

(ii) Each Demand Request shall specify the number of Registrable Securities proposed to be sold. Subject to Section 4(c), upon receipt of a Demand Request meeting the requirements of clause (i) above, the Corporation shall file the Demand Registration or Demand Shelf Registration, as requested, as soon as reasonably practicable but in any event within 60 days after receiving a Demand Request (the "Required Filing Date") and shall use all commercially reasonable efforts to cause the same to be declared effective by the SEC as promptly as practicable after such filing. Subject to Section 2(b), if the Corporation has effected two Demand Registrations and one Demand Shelf Registration in response to the request of a Group A Demand Holder, then the Corporation shall not be obligated to respond to further Demand Registrations in respect of Group A Holders. Subject to Section 2(b), if the Corporation has effected two Demand Registrations in response to the request of a Group B Demand Holder, then the Corporation shall not be obligated to respond to further Demand Registrations in respect of Group B Holders pursuant to this Section. The Corporation shall not be obligated to effect more than one Demand

Registration in any six month period.

(b) Effective Registration and Expenses. A registration will not count as a Demand Registration or a Demand Shelf Registration until it has become effective unless (i) prior to such effective time the Requesting Holders withdraw all their Registrable Securities for any reason other than (A) the inability or unreasonable delay of the Corporation in having such registration statement become effective or (B) the disclosure of material adverse information regarding the Corporation that was not known by such Requesting Holders at the time the request for such Demand Registration or Demand Shelf Registration was made and (ii) the Requesting Holders elect not to pay all the Corporation's out-of-pocket Registration Expenses in connection with such withdrawn registration. If, after such registration has become effective but prior to the sale of all Registrable Securities covered thereby, an offering of Registrable Securities pursuant to a registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court, such registration will not count as a Demand Registration or Demand Shelf Registration. Notwithstanding the foregoing if

more than 25% of the Registrable Securities requested to be registered by a Group A Demand Holder or Group B Demand Holder, as the case may be, are excluded from such Demand Registration as a result of the application of Section 2(d) below, the Group A Holders or Group B Holders, as the case may be, shall have the right to one additional Demand Registration with respect to their Registrable Securities.

(c) Selection of Underwriters. The offering of Registrable Securities pursuant to a Demand Registration may be in the form of a "firm commitment" underwritten offering. If the Requesting Holder owns at least 40% of the Fully-Diluted Common Stock, then it may select the book-running managing Underwriter and such additional Underwriters to be used in connection with the offering; provided that such selections shall be subject to the consent of the Corporation, which consent shall not be unreasonably withheld. Otherwise, the Corporation shall select the book-running managing Underwriter and such additional Underwriters to be used in connection with the offering; provided that such selections shall be subject to the consent of the Requesting Holder, which consent shall not be unreasonably withheld.

(d) Priority on Demand Registrations. No securities to be sold for the account of any Person (including the Corporation) other than Group A Holders or Group B Holders shall be included in a Demand Registration if the managing Underwriter or Underwriters shall advise the Requesting Holder that, in its or their judgment, the inclusion of such securities may adversely affect the price or success of the offering in any significant or material respect (a "Material Adverse Effect"). Furthermore, in the event the managing Underwriter or Underwriters shall advise the Requesting Holder that even after exclusion of all securities of other Persons pursuant to the immediately preceding sentence, the amount of Registrable Securities proposed to be included in such Demand Registration by Group A Holders and Group B Holders electing to participate is sufficiently large to cause a Material Adverse Effect, the Registrable Securities of such Holders to be included in such Demand Registration shall be allocated pro rata among such Holders on the basis of the number of Registrable Securities requested to be included in such registration by each such Requesting Holder.

3. Piggy-Back Registration.

(a) From and after the Initial Registration Time, if the Corporation proposes to file a registration statement under the Securities Act, including a Demand Registration but not a Demand Shelf Registration, with respect to an offering of any Common Stock by the Corporation for its own account or for the account of any of its equity holders (other than a registration statement on Form S-4 or S-8 or any substitute form that may be adopted by the SEC or any registration statement filed in connection with an exchange offer or offering of securities solely to the Corporation's existing security holders), then the Corporation shall give written notice of such proposed filing to the Holders of the Registrable Securities as soon as practicable (but in no event less than 10 days before the anticipated initial filing date of such registration statement), and such notice shall offer the Holders the opportunity to register such number of Registrable Securities as each Holder may request (a "Piggyback Registration"). Subject to Section 3(b) hereof, the Corporation shall include in each such Piggyback Registration all Registrable Securities

requested to be included in the registration for such offering; provided, however, that the Corporation may at any time withdraw or cease proceeding with such registration. Each Holder of Registrable Securities shall be permitted to withdraw all or part of such Holder's Registrable Securities from a Piggyback Registration at any time prior to the effective date thereof.

(b) The Corporation shall use all commercially reasonable efforts to cause the managing Underwriter or Underwriters of a proposed underwritten offering to

permit the Registrable Securities requested to be included in the registration statement for such offering under Section 3(a) or pursuant to other piggyback registration rights granted by the Corporation not in contravention of Section 9 hereof and that are on a parity with the registration rights granted hereunder ("Piggyback Securities"), to be included on the same terms and conditions as any similar securities included therein. Notwithstanding the foregoing, the Corporation shall not be required to include any holder's Piggyback Securities in such offering unless such holder accepts the terms of the underwriting agreement between the Corporation and the managing Underwriter or Underwriters and otherwise complies with the provisions of Section 8 below. If such offering is a Demand Registration pursuant to Section 2(a), then the provisions of Section 2(d) shall apply with respect to any reduction in the amount of securities being registered. In all other offerings that are underwritten, if the managing Underwriter or Underwriters of such proposed underwritten offering advise the Corporation that in their opinion the total amount of securities, including Piggyback Securities, to be included in such offering is sufficiently large to cause a Material Adverse Effect, then in such event the securities to be included in such offering shall be allocated first to the Corporation, and then, to the extent that any additional securities can, in the opinion of such managing Underwriter or Underwriters, be sold without any such Material Adverse Effect, pro rata among the holders of Piggyback Securities on the basis of the number of Registrable Securities requested to be included in such registration by each such holder.

4. Holdback Agreements.

(a) Restrictions on Public Sale by Holder of Registrable Securities. Each Holder of Registrable Securities (whether or not such Registrable Securities are included in a registration statement pursuant hereto) agrees not to effect any public sale or distribution of the issue being registered or of any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144 under the Securities Act, during the 14 days prior to, and (i) in the case of an Initial Public Offering, during the up to 180 day period beginning on the effective date of the registration statement filed with respect thereto, and (ii) in the case of any other offering, during the up to 90 day period beginning on the effective date of a registration statement filed with respect thereto, in each case except as part of such registration and if and to the extent requested by the managing Underwriter or Underwriters in the case of an underwritten public offering.

(b) Restrictions on Public Sale by the Corporation and Others. The Corporation agrees not to effect any public sale or distribution of any securities similar to those being registered, or any securities convertible into or exchangeable or exercisable

for such securities, during the 14 days prior to, and (A) in the case of an Initial Public Offering, during a period of up to 180 days, and (B) in the case of any other underwritten offering, during a period of up to 90 days beginning, in each case if and to the extent requested by the managing Underwriters, and beginning on the effective date of any registration statement which includes Registrable Securities (unless such sale or distribution is pursuant to such registration statement).

(c) Deferral of Filing. The Corporation may defer the filing (but not the preparation) of a registration statement required by Section 2 until a date not later than 45 days after the Required Filing Date if (i) at the time the Corporation receives the Demand Request, the Corporation or its subsidiaries are engaged in confidential negotiations or other confidential business activities, disclosure of which would be required in such registration statement (but would not be required if such registration statement were not filed), and the Board of Directors of the Corporation determines in good faith that such disclosure would be materially detrimental to the Corporation and its stockholders, or (ii) prior to receiving the Demand Request, the Board of Directors had determined to effect a registered underwritten public offering of the Corporation's equity securities for the Corporation's account and the Corporation had taken substantial steps (including, but not limited to, selecting the managing Underwriter for such offering) and is proceeding with reasonable diligence to effect such offering. A deferral of the filing of a registration statement pursuant to this Section 4(c) shall be lifted, and the requested registration statement shall be filed forthwith, if, in the case of a deferral pursuant to clause (i) of the preceding sentence, the negotiations or other activities are disclosed or terminated, or, in the case of a deferral pursuant to clause (ii) of the preceding sentence, the proposed registration for the Corporation's account is abandoned. In order to defer the filing of a registration statement pursuant to this Section 4(c), the Corporation shall promptly, upon determining to seek such deferral, notify each Requesting Holder that the Corporation is deferring such filing pursuant to this Section 4(c). Within twenty days after receiving such notice, the Requesting Holder may withdraw such request by giving notice to the Corporation; if withdrawn, the Demand Request shall be deemed not to have been made for all purposes of this Agreement. The Corporation may defer the filing of a particular registration statement pursuant to this Section 4(c) no more than

twice during any twelve month period.

5. Registration Procedures. Whenever the Holders have requested that any Registrable Securities be registered pursuant to Section 2 hereof, the Corporation will, at its expense, use all commercially reasonable efforts to effect the registration and the sale of such Registrable Securities under the Securities Act in accordance with the intended method of disposition thereof as quickly as practicable, and in connection with any such request, the Corporation will as expeditiously as practicable:

(a) prepare and file with the SEC a registration statement on any form for which the Corporation then qualifies or which counsel for the Corporation shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof, and use all commercially reasonable efforts and proceed diligently and in good faith to cause such filed registration statement to become effective under the Securities Act;

provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Corporation will furnish to all Selling Holders and to one counsel reasonably acceptable to the Corporation selected by the Selling Holders, copies of all such documents proposed to be filed, which documents will be subject to the reasonable review of such counsel;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective pursuant to Section 2 for a period (except as provided in the last paragraph of this Section 5) of not less than 270 consecutive days in the case of a Demand Registration, or five years or such shorter period of time that Holders must hold any Registrable Securities before they are eligible to dispose of them pursuant to the provisions of Rule 144(k) promulgated under the Securities Act in the case of a Demand Shelf Registration, or, if shorter, the period terminating when all Registrable Securities covered by such registration statement have been sold (but not before the expiration of the applicable period referred to in Section 4(3) of the Securities Act and Rule 174 thereunder, if applicable) and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the Selling Holders thereof set forth in such registration statement;

(c) furnish to each such Selling Holder such number of copies of such registration statement, each amendment and supplement thereto (including access for review of all exhibits thereto), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such Selling Holder may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Selling Holder;

(d) notify the Selling Holders promptly, and (if requested by any such Person) confirm such notice in writing, (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed, and, with respect to a registration statement or any post-effective amendment, when the same has become effective under the Securities Act, (ii) of any request by the SEC or any other federal governmental authority for amendments or supplements to a registration statement or related prospectus or for additional information, (iii) of the issuance by the SEC of any stop order suspending the effectiveness of a registration statement or the initiation of any proceedings for that purpose, (iv) if at any time the representations or warranties of the Corporation or any subsidiary contained in any agreement (including any underwriting agreement) contemplated by Section 5(i) below cease to be true and correct in any material respect, (v) of the receipt by the Corporation of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (vi) of the happening of any event which makes any statement made in such registration statement or related prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in such registration statement, prospectus or documents so that, in the case of the registration statement, it will not contain any untrue statement of a

material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (vii) of the Corporation's reasonable determination that a post-effective amendment to a registration statement would be appropriate;

(e) use all commercially reasonable efforts to obtain the withdrawal of any order suspending the effectiveness of a registration statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the

earliest practicable moment;

(f) cooperate with the Selling Holders and the managing Underwriter or Underwriters to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, which certificates shall not bear any restrictive legends and shall be in a form eligible for deposit with The Depositary Trust Corporation; and enable such Registrable Securities to be registered in such names as the managing Underwriter or Underwriters may request prior to any sale of Registrable Securities;

(g) use all commercially reasonable efforts to register or qualify such Registrable Securities as promptly as practicable under such other securities or blue sky laws of such United States jurisdictions as any Selling Holder or managing Underwriter reasonably (in light of the intended plan of distribution) requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such Selling Holder or managing Underwriter to consummate the disposition in such jurisdictions of the Registrable Securities owned by such Selling Holder; provided that the Corporation will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (g), (ii) subject itself to taxation in any such jurisdiction or (iii) consent to general service of process in any such jurisdiction;

(h) cooperate and assist in any filing required to be made with the National Association of Securities Dealers, Inc. and in the performance of any due diligence investigation by any Underwriter, including any "qualified independent underwriter";

(i) enter into customary agreements (including an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities;

(j) make available for inspection by any Selling Holder of such Registrable Securities, any Underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other professional retained by any such Selling Holder or Underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Corporation (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Corporation's officers, directors and employees to

supply all information reasonably requested by any such Inspectors in connection with such registration statement. As a condition to providing any such information, each Selling Holder of such Registrable Securities and each such Inspector shall agree that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of the Corporation unless and until such information is made generally available to the public;

(k) use all commercially reasonable efforts to obtain a comfort letter or comfort letters from the Corporation's independent public accountants in customary form and covering such matters of the type customarily covered by comfort letters as the Selling Holders of a majority of the shares of Registrable Securities being sold or the managing Underwriter or Underwriters reasonably requests;

(l) otherwise use all commercially reasonable efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering a period of twelve months, beginning within three months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act;

(m) use all commercially reasonable efforts to cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Corporation are then listed or quoted on any inter-dealer quotation system on which similar securities issued by the Corporation are then quoted; and

(n) if any event contemplated by Section 5(d)(vi) above shall occur, as promptly as practicable prepare a supplement or amendment or post-effective amendment to such registration statement or the related prospectus or any document incorporated therein by reference or promptly file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The Corporation may require each Selling Holder to promptly furnish in writing to the Corporation such information regarding the distribution of the Registrable Securities as it may from time to time reasonably request and such other information as may be legally required in connection with such registration. Notwithstanding anything herein to the contrary, the Corporation shall have the right to exclude from any offering the Registrable Securities of

any Selling Holder who does not comply with the provisions of the immediately preceding sentence.

Each Selling Holder agrees that, upon receipt of any notice from the Corporation of the happening of any event of the kind described in Section 5(d)(vi) hereof, such Selling Holder will forthwith discontinue disposition of Registrable Securities pursuant to the registration statement covering such Registrable Securities until such Selling Holder's receipt of the copies of the supplemented or amended prospectus contemplated by

Section 5(n) hereof, and, if so directed by the Corporation, such Selling Holder will deliver to the Corporation all copies, other than permanent file copies, then in such Selling Holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. In the event the Corporation shall give such notice, the Corporation shall extend the period during which such registration statement shall be maintained effective (including the period referred to in Section 5(b) hereof) by the number of days during the period from and including the date of the giving of notice pursuant to Section 5(d)(vi) hereof to the date when the Corporation shall make available to the Selling Holders of Registrable Securities covered by such registration statement a prospectus supplemented or amended to conform with the requirements of Section 5(n) hereof.

5A. Suspension Periods. Anything in this Agreement to the contrary notwithstanding, it is understood and agreed that the Corporation shall not be required to keep any shelf registration statement effective or useable for offers and sales of the Registrable Securities, file a post-effective amendment to a shelf registration statement or prospectus supplement or to supplement or amend any such registration statement, if the Corporation is then involved in discussions concerning, or otherwise engaged in, any material financing or investment, acquisition or divestiture transaction or other material business purpose if the Corporation determines in good faith that the making of such a filing, supplement or amendment at such time would interfere with such transaction or purpose. The Corporation shall promptly give the Holders of Registrable Securities written notice of such postponement containing a general statement of the reasons for such postponement and an approximation of the anticipated delay. Upon receipt by a Holder of Registrable Securities of notice of an event of the kind described in this Section 5A, such Holder shall forthwith discontinue such Holder's disposition of Registrable Securities until such Holder's receipt of notice from the Corporation that such disposition may continue and of any supplemented or amended prospectus indicated in such notice. No such postponement shall extend for a period of more than 30 days in the aggregate in any 120 day period. In the event the Corporation shall give notice of an event of the kind described in this Section 5A, the Corporation shall extend the period during which the applicable registration statement shall be maintained effective as provided in Section 5(b) hereof by the number of days during such period from and including the date of the giving of such notice to the date when the Corporation shall give notice to the Selling Holders that such dispositions of such Registrable Securities may continue and shall have made available to the Selling Holders any such supplemented or amended prospectus.

6. Registration Expenses. Subject to the provisions of Section 2(b), the Corporation (i) shall pay all Registration Expenses (as defined below) with respect to any Demand Registration or Demand Shelf Registration. The Corporation shall pay all Registration Expenses in connection with any Piggyback Registration. "Registration Expenses" shall mean: (a) all registration and filing fees (including, without limitation, with respect to filings to be made with the National Association of Securities Dealers, Inc.), (b) fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (c) printing expenses, (d) internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties),

(e) the fees and expenses incurred in connection with the listing of the Registrable Securities on an exchange or the quotation of the Registrable Securities on an inter-dealer quotation system, (f) reasonable fees and disbursements of counsel for the Corporation and customary fees and expenses for independent certified public accountants retained by the Corporation (including the expenses of any comfort letters requested pursuant to Section 5(k) hereof), (g) the reasonable fees and expenses of any special experts retained by the Corporation in connection with such registration, and (h) the reasonable fees and expenses of one counsel selected by the holder of a majority of the Registrable Securities to be included in such registration. The Corporation shall not have any obligation to pay any underwriting fees, discounts, or commissions attributable to the sale of Registrable Securities or, except as provided by clauses (b) or (h) above, any out-of-pocket expenses of the Holders (or the agents who manage their accounts) or the fees and disbursements of counsel for any Underwriter.

7. Indemnification; Contribution.

(a) Indemnification by the Corporation. The Corporation agrees to indemnify and hold harmless each Selling Holder, each Person, if any, who controls such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and the officers, directors, agents, general and limited partners, and employees of each Selling Holder and each such controlling person from and against any and all losses, claims, damages, liabilities, and expenses (including reasonable costs of investigation) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses arise out of, or are based upon, any such untrue statement or omission or allegation thereof based upon information furnished in writing to the Corporation by such Selling Holder or on such Selling Holder's behalf expressly for use therein. The Corporation also agrees to indemnify any Underwriters of the Registrable Securities, their officers and directors and each Person who controls such Underwriters on substantially the same basis as that of the indemnification of the Selling Holders provided in this Section 7(a).

(b) Indemnification by Holder of Registrable Securities. Each Selling Holder, severally and not jointly, agrees to indemnify and hold harmless the Corporation, and each Person, if any, who controls the Corporation within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and the officers, directors, agents and employees of the Corporation and each such controlling Person to the same extent as the foregoing indemnity from the Corporation to such Selling Holder, but only with respect to information furnished in writing by such Selling Holder or on such Selling Holder's behalf expressly for use in any registration statement or prospectus relating to the Registrable Securities. The liability of any Selling Holder under this Section 7(b) shall be limited to the aggregate cash and property received by such Selling Holder

pursuant to the sale of Registrable Securities covered by such registration statement or prospectus.

(c) Conduct of Indemnification Proceedings. If any action or proceeding (including any governmental investigation) shall be brought or asserted against any Person entitled to indemnification under Section 7(a) or 7(b) above (an "Indemnified Party") in respect of which indemnity may be sought from any party who has agreed to provide such indemnification under Section 7(a) or 7(b) above (an "Indemnifying Party"), the Indemnified Party shall give prompt notice to the Indemnifying Party and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all reasonable expenses of such defense. Such Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party has agreed to pay such fees and expenses or (ii) the Indemnifying Party fails promptly to assume the defense of such action or proceeding or fails to employ counsel reasonably satisfactory to such Indemnified Party or (iii) the named parties to any such action or proceeding (including any impleaded parties) include both such Indemnified Party and Indemnifying Party (or an Affiliate of the Indemnifying Party), and such Indemnified Party shall have been advised by counsel that there is a conflict of interest on the part of counsel employed by the Indemnifying Party to represent such Indemnified Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense of such action or proceeding on behalf of such Indemnified Party). Notwithstanding the foregoing, the Indemnifying Party shall not, in connection with any one such action or proceeding or separate but substantially similar related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable at any time for the fees and expenses of more than one separate firm of attorneys (together in each case with appropriate local counsel). The Indemnifying Party shall not be liable for any settlement of any such action or proceeding effected without its written consent (which consent will not be unreasonably withheld), but if settled with its written consent, or if there be a final judgment for the plaintiff in any such action of proceeding, the Indemnifying Party shall indemnify and hold harmless such Indemnified Party from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. The Indemnifying Party shall not consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release, in form and substance reasonably satisfactory to the Indemnified Party, from all liability in respect of such action or proceeding for which such Indemnified Party would be entitled to indemnification hereunder.

(d) Contribution. If the indemnification provided for in this Section 7

is unavailable to the Indemnified Parties in respect of any losses, claims, damages, liabilities or judgments referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages, liabilities and

judgments as between the Corporation on the one hand and each Selling Holder on the other, in such proportion as is appropriate to reflect the relative fault of the Corporation and of each Selling Holder in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Corporation on the one hand and of each Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Corporation and the Selling Holders agree that it would not be just and equitable if contribution pursuant to this Section 7(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the first two sentences of this Section 7(d). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages, liabilities or judgments referred to in Sections 7(a) and (b) hereof shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7(d), no Selling Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such Selling Holder were offered to the public exceeds the amount of any damages which such Selling Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

8. Participation in Underwritten Registrations. No Holder may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder's Registrable Securities on the basis provided in any underwriting arrangements approved by the Person entitled hereunder to approve such arrangements, and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and this Agreement.

9. Future Registration Rights. After the date of this Agreement, the Corporation will not grant to any Person (including the Holders of Registrable Securities) any registration rights ("new rights") with respect to any securities of the Corporation without the written consent of the Holders of a majority of the then outstanding Registrable Securities (calculated on a Fully-Diluted Common Stock basis) unless such new rights (i) are subordinate to and of a lesser priority than the registration rights granted by the Corporation under this Agreement and (ii) are not inconsistent with the terms of this Agreement. Additionally, unless otherwise consented to in writing by the Holders of a majority of the then outstanding Registrable Securities (calculated on a Fully-Diluted Common Stock basis), new rights may not be granted without expressly providing that, with respect to demand registration rights granted to such other Persons, the Holders of Registrable Securities have a piggyback right upon the exercise of such new rights and

shall be included in any related registration statement on the same terms and conditions as the holders of the new rights, subject to possible reduction at the initiative of the managing Underwriter or Underwriters, on terms substantially equivalent to those set forth in the last sentence of Section 3(b).

Exhibit 10.3

GRYPHON EXPLORATION COMPANY
CERTIFICATE OF DESIGNATIONS, PREFERENCES AND
RIGHTS OF SERIES A CONVERTIBLE PREFERRED STOCK

Pursuant to Section 151 of the
Delaware General Corporation Law

The undersigned President and Secretary, respectively, of Gryphon Exploration Company, a Delaware corporation (the "Corporation") certify that pursuant to authority granted to and vested in the Board of Directors of the Corporation by the provisions of the Certificate of Incorporation and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, its Board of Directors has duly adopted the following resolutions creating the Series A Convertible Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by Article IV of the Corporation's Certificate of Incorporation, a series of preferred stock of the Corporation be, and it hereby is, created out of the authorized but unissued shares of the capital stock of the Corporation, such series to be designated Series A Convertible Preferred Stock (the "Series A Preferred Stock"), to consist of 100,000 shares, par value $.01 per share, of which the preferences and relative and other rights, and the qualifications, limitations or restrictions thereof, shall be (in addition to those set forth in the Corporation's Certificate of Incorporation) as follows:

1. Certain Definitions.

Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated:

"Accredited Holder" means a holder of Series A Preferred Stock who at the time in question is an "accredited investor" as such term is defined in Rule 501 promulgated under the Securities Act of 1933.

"Common Stock" means shares of the common stock, par value $.01 per share, of the Corporation.

"Contribution Agreement" means the Contribution and Subscription Agreement dated as of September 15, 2000, among the Corporation and each of the parties named therein.

"Conversion Date" The term "Conversion Date" shall have the meaning set forth in subparagraph 5(e).

"Conversion Price" The term "Conversion Price," at any time of determination, shall mean the conversion price set forth in subparagraph 5(d).

"Current Market Price" shall have the meaning set forth in Section 5(h).

"Dividend Payment Date" The term "Dividend Payment Date" shall have the meaning set forth in subparagraph 2(a).

"Dividend Period" The term "Dividend Period" shall have the meaning set forth in subparagraph 2(a).

"Excluded Shares" shall have the meaning set forth in Section 5(g)(ii).

"Initial Issue Date" shall mean the first date that any shares of Series A Preferred Stock are issued by the Corporation.

"Issue Date" shall mean the date the shares of Series A Preferred Stock in question are issued by the Corporation.

"Junior Stock" means the Common Stock and any other class or series of securities of the Corporation (i) not entitled to receive any distributions unless all distributions required to have been paid or declared and set apart for payment on the Series A Preferred Stock shall have been so paid or declared and set apart for payment, and (ii) not entitled to receive any assets upon the

liquidation, dissolution or winding up of the affairs of the Corporation until the Series A Preferred Stock shall have received the entire amount to which such Shares are entitled upon such liquidation, dissolution or winding up.

"Liquidation Preference" The term "Liquidation Preference" shall mean One Thousand Dollars ($1,000) per share of the Series A Preferred Stock.

"Market Price" means, with respect to a particular security, on any given day, the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the last closing bid and asked prices regular way, in either case on the principal national securities exchange on which the applicable security is listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, (i) the closing sale price for such day reported by the Nasdaq Stock Market if such security is traded over-the-counter and quoted in the Nasdaq Stock Market, or (ii) if such security is so traded, but not so quoted, the average of the closing reported bid and asked prices of such security as reported by the Nasdaq Stock Market or any comparable system, or (iii) if such security is not listed on the Nasdaq Stock Market or any comparable system but is actively traded, the average of the closing bid and asked prices as furnished by two members of the National Association of Securities Dealers, Inc. selected from time to time by the Company for that purpose. If such security is not listed and traded in a manner that the quotations referred to above are available for the period required hereunder, the Market Price shall be deemed to be the fair value per share of such security as determined by a nationally recognized investment banking firm selected by the Board and reasonably acceptable to the holders of a majority of the outstanding shares of Series A Preferred Stock.

"Parity Stock" means, (i) any class or series of securities of the Corporation entitled to receive payment of dividends on a parity with the Series A Preferred Stock and (ii) any class or series of securities of the Corporation entitled to receive assets upon the liquidation, dissolution or winding up of the affairs of the Corporation on a parity with the Series A Preferred Stock.

"Qualified Public Company" means a corporation whose common stock is authorized and approved for listing on a national securities exchange or admitted to trading and quoted in the Nasdaq National Market or comparable system and the market value of the outstanding common stock of which corporation owned by non-affiliates of such corporation is in excess of $50,000,000.

"Qualified Public Offering" means the first closing of one or more underwritten public offerings pursuant to effective registration statements under the Securities Act of 1933, as amended, covering the offer and sale of common stock for the account of the Corporation to the public generally, for which the aggregate net proceeds to the Corporation are not less than $40,000,000, and pursuant to which such shares of common stock are authorized and approved for listing on a national securities exchange or admitted to trading and quoted in the Nasdaq National Market or comparable system.

"Restricted Payment" means (i) any distribution on any Junior Stock (other than distributions payable solely in such Junior Stock) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any Junior Stock or (b) any option, warrant, convertible or exchangeable security or other right to acquire Junior Stock.

"Senior Stock" means (i) any class or series of securities of the Corporation ranking senior to the Series A Preferred Stock in respect of the right to receive payment of distributions and (ii) any class or series of securities of the Corporation ranking senior to the Series A Preferred Stock in respect of the right to receive assets upon the liquidation, dissolution or winding up of the affairs of the Corporation.

"Shares" means the Common Stock and Series A Preferred Stock, collectively, and any "Share" shall refer to any one of the foregoing.

"Stockholders Agreement" means the Stockholders Agreement among the Corporation, Cheniere Energy, Inc., Cheniere-Gryphon Management, Inc., Warburg, Pincus Equity Partners, L.P., and the other parties thereto.

2. Dividends.

(a) Subject to the prior preferences and other rights of any Senior Stock, the holders of the Series A Preferred Stock shall be entitled to receive, out of

funds legally available for that purpose, cash dividends in an amount equal to $80 per annum per share (payable quarterly as set forth below) and, subject to the provisions hereof, no more. Subject to the provisions of subparagraph 2(c) below, such dividends shall be cumulative from their Issue Date and shall be payable quarterly in arrears, when and as declared by the Board of Directors, on March 31, June 30, September 30 and December 31 of each year (each such date being herein referred to as a "Dividend Payment Date"), commencing on the Dividend Payment Date next succeeding their Issue Date. The quarterly period between consecutive Dividend Payment Dates shall hereinafter be referred to as a "Dividend Period." Each such dividend shall be paid to the holders of record of the Series A Preferred Stock as their names appear on the share register of the Corporation on the corresponding Record Date. As used above, the term "Record Date" means, with respect to the dividend payable on March 31, June 30, September 30 and December 31, respectively, of each year, the preceding March 15, June 15, September 15 and December 15, or such other record date designated by the Board of Directors of the Corporation with respect to the dividend payable on such respective Dividend Payment Date. Dividends on account of arrears for any past Dividend Periods may be declared and paid, together with any accrued but unpaid dividends thereon to and including the date of payment, at any time, without reference to any Dividend Payment Date, to holders of record on such date, not exceeding fifty (50) days preceding the payment date thereof, as may be fixed by the

Board of Directors; provided, however, dividends on account of arrears may not be paid without the written consent of the holders of a majority of the then outstanding shares of Series A Preferred Stock except as otherwise provided in paragraph 2(c) below.

(b) If, on any Dividend Payment Date, the holders of the Series A Preferred Stock shall not have received the full dividends provided for the benefit of such holders, then such dividends shall cumulate and shall accrue additional dividends to and including the date of payment thereof at the rate of eight percent (8%) per annum compounded quarterly whether or not earned or declared. Unpaid dividends for any period less than a full Dividend Period shall cumulate on a day-to-day basis and shall be computed on the basis of a 365-day year.

(c) Upon consummation of (i) a Qualified Public Offering, (ii) a merger of the Corporation with or into another entity, a consolidation of the Corporation or a statutory share exchange involving the Common Stock ("a Business Combination") or (iii) a sale of all or substantially all of the assets of the Corporation, the Corporation shall pay in cash, except as provided below, on the date of such consummation all accrued and unpaid dividends as of such date on all outstanding Series A Preferred Stock to the holders of record of the Series A Preferred Stock as their names appear on the share register of the Corporation on such date; provided, however that (a) in the case of a Qualified Public Offering, the Corporation shall give the holders of record of the Series A Preferred Stock at least thirty days but no more than one-hundred and eighty days prior written notice of the possibility of a Qualified Public Offering in which event each Accredited Holder may give the Corporation written notice within fifteen days of the giving of such notice that such Accredited Holder desires to have dividends payable upon consummation of the Qualified Public Offering paid in the form of Common Stock based on the initial public offering price of the Common Stock in the Qualified Public Offering less all underwriters' discounts and commissions (rounded down to the nearest whole share) and if the Qualified Public Offering is so consummated then the Accredited Holders which gave such notice shall be paid all accrued dividends on their Series A Preferred Stock in the form of Common Stock as so provided and all other holders of Series A Preferred Stock shall receive dividends in the form of cash; and (b) in the case of a Business Combination in which the holders of Common Stock will continue to hold their Common Stock or will receive as a result of such Business Combination common stock in the surviving corporation or the parent corporation thereof (in either case, "Resulting Common Stock"), the Corporation shall give the holders of record of the Series A Preferred Stock at least twenty days but no more than one hundred and twenty days prior written notice of the possibility of the consummation of a Business Combination in which event each Accredited Holder may give the Corporation written notice within fifteen days of the giving of such notice that such Accredited Holders desires to have dividends payable upon consummation of such Business Combination paid in the form of Resulting Common Stock based on the Market Price of such Resulting Common Stock as of the date of the consummation of the applicable Business Combination (rounded down to the nearest whole share) and if such Business Combination is so consummated, then the Accredited Holders which gave such notice shall be paid all accrued dividends on their Series A Preferred Stock in the form of Resulting Common Stock and all other holders shall receive dividends in the form of cash. Upon conversion of shares of Series A Preferred Stock, all accrued but unpaid dividends shall be paid upon such conversion in the form of cash, except as provided below, unless such payment is not legal at such time and if not then legal then as soon as such payment is legal and the amount so payable shall increase at 8% per annum compounded quarterly to the extent such payment is delayed because such payment would not be legal until such payment is made; provided, however, that any holder of

Series A Preferred Stock which is an Accredited Holder may in connection with the conversion of the Series A Preferred Stock prior to a Qualified Public Offering request that accrued but unpaid dividends be paid in the form of Common Stock based on the Market Price of the Common Stock as of the date of conversion (rounded down to the nearest whole share).

3. Distributions Upon Liquidation, Dissolution or Winding Up. In the event of any voluntary or involuntary liquidation, dissolution or other winding up of the affairs of the Corporation, subject to the prior preferences and other rights of any Senior Stock, but before any distribution or payment shall be made to the holders of Junior Stock, the holders of the Series A Preferred Stock shall be entitled to be paid the Liquidation Preference of all outstanding shares of the Series A Preferred Stock as of the date of such liquidation or dissolution or such other winding up, plus any accrued but unpaid dividends (including any accrued but unpaid dividends thereon), if any, to such date, and no more. If such payment shall have been made in full to the holders of the Series A Preferred Stock, and if payment shall have been made in full to the holders of any Senior Stock and Parity Stock of all amounts to which such holders shall be entitled, the remaining assets and funds of the Corporation shall be distributed among the holders of Junior Stock, according to their respective shares and priorities. If, upon any such liquidation, dissolution or other winding up of the affairs of the Corporation, the net assets of the Corporation distributable among the holders of all outstanding shares of the Series A Preferred Stock and of any Parity Stock shall be insufficient to permit the payment in full to such holders of the preferential amounts to which they are entitled, then the entire net assets of the Corporation remaining after the distributions to holders of any Senior Stock of the full amounts to which they may be entitled shall be distributed among the holders of the Series A Preferred Stock and of any Parity Stock ratably in proportion to the full amounts to which they would otherwise be respectively entitled. The consolidation or merger of the Corporation into or with another corporation or corporations, and the sale of all or substantially all of the assets of the Corporation to another corporation or corporations shall be deemed a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this paragraph 3 unless the holders of a majority of the then outstanding shares of Series A Preferred Stock consent in writing prior to such transaction that such transaction shall not constitute a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this paragraph 3.

4. Voting Rights. In addition to any other rights provided in the Corporation's Bylaws or by law, each share of Series A Preferred Stock shall entitle the holder thereof to such number of votes per share as shall equal the fraction (rounded down to the nearest integer), the numerator of which shall equal One Thousand Dollars ($1,000) and the denominator of which shall equal the Conversion Price determined on the record date for determining the holders of Common Stock entitled to vote on the matter submitted thereto, and each share of Series A Preferred Stock shall be entitled to vote on all matters as to which holders of Common Stock shall be entitled to vote, in the same manner and with the same effect as such holders of Common Stock, voting together with the holders of Common Stock as one class, except the consent or approval of the holders of a majority of the Series A Preferred Stock, voting separately as a class, shall be required to approve, and the Corporation shall not without such approval, (i) amend, alter or repeal (whether by merger, consolidation or otherwise) any of the provisions of this Certificate of Designation or the Certificate of Incorporation, (ii) authorize or issue any Senior Stock or Parity Stock; (iii) consummate any merger of the Corporation with or into any other entity or any consolidation, conversion or statutory share exchange involving the Corporation or (iv) make any Restricted Payment.

5. Conversion Rights. The Series A Preferred Stock shall be convertible into Common Stock as follows:

(a) Conversion at Holder's Option. The holder of any shares of the Series A Preferred Stock shall have the right at any time after the earlier of (i) the first date the holders of a majority of the then outstanding shares of Series A Preferred Stock shall have consented in writing to permit the conversion of the Series A Preferred Stock or (ii) August 31, 2010, at such holder's option and without the payment of any additional consideration, to convert any or all of such shares of the Series A Preferred Stock into fully paid and nonassessable shares of Common Stock at the Conversion Price (as provided in subparagraph 5(d) below) in effect on the Conversion Date (as provided in subparagraph 5(e) below) upon the terms hereinafter set forth.

(b) Conversion by Majority. In the event the holders of a majority of the then outstanding shares of Series A Preferred Stock, acting separately as one class, vote (by written consent or otherwise) to convert all of their shares of

the Series A Preferred Stock into fully paid and nonassessable shares of Common Stock, all other shares of Series A Preferred Stock shall automatically be converted, without further act of the Corporation, or its shareholders, into fully paid and nonassessable shares of Common Stock of the Corporation at the Conversion Price in effect on the Conversion Date upon the terms hereinafter set forth.

(c) Qualified Public Offering Conversion. The Corporation shall have the
right, at the Corporation's option, to convert shares of the Series A Preferred Stock, without any further act of the Corporation or its shareholders, into fully paid and nonassessable shares of Common Stock of the Corporation at the Conversion Price in effect on the Conversion Date upon the terms hereinafter set forth upon the closing of a firm commitment underwritten Qualified Public Offering.

(d) Number of Shares. In the event of a conversion pursuant to
subparagraph 5(a), 5(b) or 5(c) above, each share of the Series A Preferred Stock so converted shall be converted into such number of shares of Common Stock as is determined by dividing (x) One Thousand Dollars ($1,000) by (y) the Conversion Price in effect on the Conversion Date. The initial Conversion Price shall be One Hundred Dollars ($100) per share of Common Stock. Such initial Conversion Price shall be subject to adjustment in order to adjust the number of shares of Common Stock into which the Series A Preferred Stock is convertible, as hereinafter provided.

(e) Mechanics of Conversion. The holder of any shares of the Series A
Preferred Stock may exercise the conversion right specified in subparagraph 5(a) by surrendering to the Corporation or any transfer agent of the Corporation the certificate or certificates representing the shares of the Series A Preferred Stock to be converted, accompanied by written notice specifying the number of such shares to be converted. Upon a mandatory conversion pursuant to subparagraphs 5(b) or 5(c), then on the Conversion Date, the outstanding shares of the Series A Preferred Stock shall be converted automatically without any action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; provided that the Corporation shall not be obligated to issue to any holder certificates representing the shares of Common Stock issuable upon such conversion unless certificates representing the shares of Series A Preferred Stock, endorsed directly or through stock powers to the Corporation or in blank and accompanied when appropriate with evidence of the signatory's authority, are delivered to the Corporation or any transfer agent of the Corporation. If the certificate representing shares of

Common Stock issuable upon conversion of shares of the Series A Preferred Stock is to be issued in a name other than the name on the face of the certificate representing such shares of the Series A Preferred Stock, such certificate shall be accompanied by such evidence of the assignment and such evidence of the signatory's authority with respect thereto as deemed appropriate by the Corporation or its transfer agent and such certificate shall be endorsed directly or through stock powers to the Corporation or in blank. Conversion shall be deemed to have been effected (i) with respect to conversions pursuant to subparagraph 5(a), on the date when delivery of notice of an election to convert pursuant to subparagraph 5(a) and of certificates representing the shares being converted is made, or (ii) with respect to mandatory conversion pursuant to subparagraph 5(b) or 5(c), on the (x) closing date of the Qualified Public Offering or (y) the date as of which the majority of outstanding shares of the Series A Preferred Stock shall vote for such conversion of the total number of shares of the Series A Preferred Stock, as the case may be, and each such applicable date is referred to herein as the "Conversion Date." Subject to the provisions of subparagraph 5(g)(vi), as promptly as practicable after the Conversion Date (and after surrender of the certificate or certificates representing shares of the Series A Preferred Stock to the Corporation or any transfer agent of the Corporation in the case of any such conversion), the Corporation shall issue and deliver to or upon the written order of such holder a certificate or certificates for the number of full shares of Common Stock to which such holder is entitled upon such conversion, and a check or cash with respect to any fractional interest in a share of Common Stock, as provided in subparagraph 5(f). Subject to the provisions of subparagraph 5(g)(vi), the person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a holder of record of such Common Stock on the applicable Conversion Date. Upon conversion of only a portion of the number of shares covered by a certificate representing shares of Series A Preferred Stock surrendered for conversion (in the case of conversion pursuant to subparagraph 5(a)), the Corporation shall issue and deliver to or upon the written order of the holder of the certificate so surrendered for conversion, at the expense of the Corporation, a new certificate representing the number of shares of the Series A Preferred Stock representing the unconverted portion of the certificate so surrendered. The Corporation shall pay on any Conversion Date the accrued and unpaid dividends (including any accrued but unpaid dividends thereon) to and including such date on all shares of Series A Preferred Stock to

be so converted in accordance with paragraph 2(c).

(f) Fractional Shares. No fractional shares of Common Stock or scrip shall be issued upon conversion of shares of the Series A Preferred Stock. If more than one share of the Series A Preferred Stock shall be surrendered for conversion at any one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series A Preferred Stock so surrendered. Instead of any fractional shares of Common Stock which would otherwise be issuable upon conversion of any shares of the Series A Preferred Stock, the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to that fractional interest of the then Current Market Price, as defined in subparagraph 5(h) below.

(g) Conversion Price Adjustments. The Conversion Price shall be subject to adjustment from time to time as follows:

(i) Common Stock Issued at Less Than the Conversion Price. If after the Initial Issue Date the Corporation shall issue any Common Stock, other than Excluded Stock (as hereinafter defined), without consideration or for consideration per share less than the Conversion Price in effect

immediately prior to such issuance, the Conversion Price in effect immediately prior to each such issuance shall immediately (except as otherwise expressly provided below) be reduced to the price determined by dividing (1) an amount equal to the sum of (A) the number of shares of Common Stock outstanding on a fully diluted basis (excluding employee stock options) immediately prior to such issuance multiplied by the Conversion Price in effect immediately prior to such issuance, and (B) the consideration received by the Corporation upon such issuance, by (2) the total number of shares of Common Stock outstanding on a fully diluted basis (excluding employee stock options) immediately after such issuance; provided that the resulting Conversion Price shall then be adjusted (but not above the Conversion Price in effect immediately prior to such issuance) to obtain the effective Conversion Price that would have resulted if 50% of the shares of Common Stock originally issued to CHEX Sub (as defined in the Contribution Agreement) pursuant to the Contribution Agreement that are then owned by CHEX Sub (such shares, the "CHEX Common Shares") had been treated as stock convertible into Common Stock entitled to the same dilution adjustments as set forth in this paragraph (g)(i) with respect to the proposed issuance, but holding the number of CHEX Common Shares constant, all as reasonably determined in good faith by the Board of Directors of the Corporation.

(a) Issuance for Cash. In the case of the issuance of Common Stock for cash, the amount of the consideration received by the Corporation shall be deemed to be the amount of the cash proceeds received by the Corporation for such Common Stock before deducting therefrom any discounts, commissions, taxes or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

(b) Consideration Other Than Cash. In the case of the issuance of Common Stock (otherwise than upon the conversion of shares of capital stock or other securities of the Corporation) for a consideration in whole or in part other than cash, including securities acquired in exchange therefor (other than securities that by their terms are exchangeable for such Common Stock), the consideration other than cash shall be deemed to be the fair value thereof as determined in good faith by the Board, irrespective of any accounting treatment.

(c) Options and Convertible Securities. In the case of the issuance of (i) options, warrants or other rights to purchase or acquire Common Stock (whether or not at the time exercisable), (ii) securities by their terms convertible into or exchangeable for Common Stock (whether or not at the time so convertible or exchangeable) or (iii) options, warrants or rights to purchase such convertible or exchangeable securities (whether or not at the time exercisable), other than in each case Excluded Stock as defined in subparagraph 5(g)(ii) below:

(1) the aggregate maximum number of shares of Common Stock deliverable upon exercise of such options, warrants or other rights to purchase or acquire Common Stock shall be deemed to have been issued at the time such options, warrants or rights were issued and for a consideration equal to the consideration (determined in the manner provided in subparagraphs 5(g)(i)(a) and (b) above), if any, received by the Corporation upon the issuance of such options, warrants or rights plus the minimum purchase price provided in such options, warrants or rights for the Common Stock covered thereby;

(2) the aggregate maximum number of shares of Common Stock

deliverable upon conversion of or in exchange for any such convertible or exchangeable securities,

or upon the exercise of options, warrants or other rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof, shall be deemed to have been issued at the time such securities were issued or such options, warrants or rights were issued and for a consideration equal to the consideration if any, received by the Corporation for any such securities and related options, warrants or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration (determined in the manner provided in subparagraphs 5(g)(i)(a) and (b) above), if any, to be received by the Corporation upon the conversion or exchange of such securities, or upon the exercise of any related options, warrants or rights to purchase or acquire such convertible or exchangeable securities and the subsequent conversion or exchange thereof;

(3) on any change in the number of shares of Common Stock deliverable upon exercise of any such options, warrants or rights or conversion or exchange of such convertible or exchangeable securities or any change in the consideration to be received by the Corporation upon such exercise, conversion or exchange, the Conversion Price as then in effect shall forthwith be readjusted to such Conversion Price as would have been obtained had an adjustment been made upon the issuance of such options, warrants or rights not exercised prior to such change, or of such convertible or exchangeable securities not converted or exchanged prior to such change, upon the basis of such change;

(4) on the expiration or cancellation of any such options, warrants or rights, or the termination of the right to convert or exchange such convertible or exchangeable securities, if the Conversion Price shall have been adjusted upon the issuance thereof, the Conversion Price shall forthwith be readjusted to such Conversion Price as would have been obtained had an adjustment been made upon the issuance of such options, warrants, rights or such convertible or exchangeable securities on the basis of the issuance of only the number of shares of Common Stock actually issued upon the exercise of such options, warrants or rights, or upon the conversion or exchange of such convertible or exchangeable securities; and

(5) if the Conversion Price shall have been adjusted upon the issuance of any such options, warrants, rights or convertible or exchangeable securities, no further adjustment of the Conversion Price shall be made for the actual issuance of Common Stock upon the exercise, conversion or exchange thereof.

(ii) Excluded Stock. "Excluded Stock" shall mean (A) shares of Common Stock issued or reserved for issuance by the Corporation as a stock dividend payable in shares of Common Stock, or upon any subdivision or split-up of the outstanding shares of Common Stock, each of which is subject to the provisions of subparagraph 5(g)(iii) below, (B) shares of Common Stock issued or issuable pursuant to the Contribution Agreement or shares of Common Stock issuable upon conversion of Series A Preferred Stock issued or issuable pursuant to such agreement, (C) shares of Common Stock issuable upon conversion of the Series A Preferred Stock, (D) shares of Common Stock (including options to purchase such shares) issuable pursuant to the Corporation's Stock Option Plan to the extent such Plan has been approved by the Board of Directors of the Corporation. Shares of Series A Preferred Stock not yet issued under the Contribution Agreement and Common Stock issuable upon conversion of such Series A Preferred Stock shall not be taken into account in determining the number of shares of Common Stock outstanding on a fully diluted basis for purposes of paragraph 5(g)(i), and (E) shares of Common Stock issued in any transaction in which

the Group B Holders (as defined in the Stockholders Agreement) are entitled to preemptive rights under Section 2.4 of the Stockholders Agreement and in which they, taken together, purchase their full pro rata share of all of the New Securities (as defined in the Stockholders Agreement) which they are entitled to purchase under such provision with respect to such issuance.

(iii) Stock Dividends, Subdivisions, Reclassifications or Combinations. If after the Initial Issue Date the Corporation shall (i) declare a dividend or make a distribution on its Common Stock in shares of its Common Stock, (ii) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify the outstanding Common Stock into a smaller number of shares, the Conversion Price in effect at the time of the record date for such dividend or distribution or the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the holder of any shares of Series A Preferred Stock surrendered for conversion after such date shall be entitled to receive the number of shares of Common Stock which he would have owned or been entitled to receive had such shares of the Series A Preferred Stock been converted immediately prior to such

date. Successive adjustments in the Conversion Price shall be made whenever any event specified above shall occur.

(iv) Other Distributions. In case the Corporation shall after the Initial Issue Date fix a record date for the making of a distribution to all holders of shares of its Common Stock (i) of shares of any class other than its Common Stock or (ii) of evidences of indebtedness of the Corporation or any subsidiary or (iii) of assets (including cash but excluding dividends or distributions referred to in subparagraph 5(g)(iii) above), or (iv) of rights or warrants (excluding those referred to in subparagraph 5(g)(i) above), in each case the Conversion Price in effect immediately prior thereto shall be reduced immediately thereafter to the price determined by multiplying the Conversion Price in effect immediately prior to such record date by a fraction, (i) the numerator of which shall be an amount equal to the difference resulting from (A) the number of shares of Common Stock outstanding on such record date multiplied by the Market Price per share of Common Stock on such record date, less (B) the fair market value (as determined by the Board, whose determination shall be conclusive) of said shares or evidences of indebtedness or assets or rights or warrants to be so distributed, and (ii) the denominator of which shall be equal to the number of shares of Common Stock outstanding on such record date multiplied by the Market Price per share of Common Stock on such record date. Such adjustment shall be made successively whenever such a record date is fixed. In the event that such distribution is not so made, the Conversion Price then in effect shall be readjusted, effective as of the date when the Board determines not to distribute such shares, evidences of indebtedness, assets, rights or warrants, as the case may be, to the Conversion Price which would then be in effect if such record date had not been fixed.

(v) Rounding of Calculations; Minimum Adjustment. All calculations under this subparagraph 5(g) shall be made to the nearest cent or to the nearest one hundredth (1/100th) of a share, as the case may be. Any provision of this Paragraph 5 to the contrary notwithstanding, no adjustment in the Conversion Price shall be made if the amount of such adjustment would be less than $0.001; but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate $0.001 of more.

(vi) Timing of Issuance of Additional Common Stock Upon Certain Adjustments. In any case in which the provisions of this subparagraph 5(g) shall

require that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (A) issuing to the holder of any share of the Series A Preferred Stock converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the shares of Common Stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount of cash in lieu of a fractional share of Common Stock pursuant to subparagraph 5(f); provided that the Corporation upon request shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares, and such cash, upon the occurrence of the event requiring such adjustment.

(h) Current Market Price. The Current Market Price at any date shall mean, in the event the Common Stock is publicly traded, the average of the daily closing prices per share of Common Stock for thirty (30) consecutive trading days ending three (3) trading days before such date (as adjusted for any stock dividend, split, combination or reclassification that took effect during such 30 trading day period). The closing price for each day shall be the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the last closing bid and asked prices regular way, in either case on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, the closing sale price for such day reported by Nasdaq, if the Common Stock is traded over-the-counter and quoted in the National Market System, or if the Common Stock is so traded, but not so quoted, the average of the closing reported bid and asked prices of the Common Stock as reported by Nasdaq or any comparable system, or, if the Common Stock is not listed on Nasdaq or any comparable system, the average of the closing bid and asked prices as furnished by two members of the National Association of Securities Dealers, Inc. selected from time to time by the Corporation for that purpose. If the Common Stock is not traded in such manner that the quotations referred to above are available for the period required hereunder, Current Market Price per share of Common Stock shall be deemed to be the fair value per share of Common Stock as determined in good faith by the Board of Directors, irrespective of any accounting treatment.

(i) Statement Regarding Adjustments. Whenever the Conversion Price shall be adjusted as provided in subparagraph 5(g), the Corporation shall forthwith file, at the office of any transfer agent for the Series A Preferred Stock, if any, and at the principal office of the Corporation, a statement showing in detail the facts requiring such adjustment and the Conversion Price that shall be in effect after such adjustment, and the Corporation shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each holder of shares of the Series A Preferred Stock at its address appearing on the Corporation's records. Each such statement shall be signed by the Corporation's chief financial officer. Where appropriate, such copy may be given in advance and may be included as part of a notice required to be mailed under the provisions of subparagraph 5(j).

(j) Notice to Holders. In the event the Corporation shall propose to take any action of the type described in clause (i) (but only if the action of the type described in clause (i) would result in an adjustment in the Conversion Price), (iii) or (iv) of subparagraph 5(g), or described in subparagraph 5(m), the Corporation shall give notice to each holder of shares of the Series A Preferred Stock, in the manner set forth in subparagraph 5(i), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably

necessary to indicate the effect on the Conversion Price and the number, kind or class of shares or other securities or property which shall be deliverable upon conversion of shares of the Series A Preferred Stock. In the case of any action which would require the fixing of a record date, such notice shall be given at least ten (10) days prior to the date so fixed, and in case of all other action, such notice shall be given at least fifteen (15) days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(k) Treasury Stock. For the purposes of this Paragraph 5, the sale or other disposition of any Common Stock theretofore held in the Corporation's treasury that are issued for at least the consideration paid to acquire such Common Stock shall not be deemed to be an issuance thereof.

(l) Costs. The Corporation shall pay all documentary, stamp, transfer or other transactional taxes attributable to the issuance of delivery of shares of Common Stock upon conversion of any shares of the Series A Preferred Stock; provided that the Corporation shall not be required to pay any federal or state income taxes or other taxes which may be payable in respect of any transfer involved in the issuance or delivery of any certificate for such shares in a name other than that of the holder of the shares of the Series A Preferred Stock in respect of which such shares are being issued.

(m) Consolidation, Merger, Sale, Lease or Conveyance. In case after the Initial Issue Date of any consolidation with or merger of the Corporation with or into another corporation or other entity, or in case of any sale, lease or conveyance to another corporation or other entity of the assets of the Corporation as an entirety or substantially as an entirety, each share of the Series A Preferred Stock shall after the date of such consolidation, merger, sale, lease or conveyance be convertible into the number of shares of stock, other securities and/or property (including cash) to which the Common Stock issuable (immediately prior to such consolidation, merger, sale, lease or conveyance) upon conversion of such share of the Series A Preferred Stock would have been entitled upon such consolidation, merger, sale, lease or conveyance; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the holders of the shares of the Series A Preferred Stock (including without limitation the definition of Current Market Price) shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities or property thereafter deliverable on the conversion of the shares of the Series A Preferred Stock. In determining the kind and amount of stock, securities and/or property receivable upon consummation of such consolidation, merger, sale, lease or conveyance, if the holders of Common Stock have the right to elect the kind or amount of consideration receivable upon consummation of such transaction, then the holders of the Series A Preferred Stock, in connection with such transaction and at the same time holders of Common Stock are allowed to make such election, shall be given the right to make a similar election with respect to the number of shares of stock or other securities or property into which such holder's Series A Preferred Stock shall thereafter be convertible.

6. Exclusion of Other Rights.

Except as may otherwise be required by law, the shares of Series A Preferred Stock shall not have any preferences or relative, participating,

optional or other special rights, other than those

specifically set forth in the Stockholders Agreement and this Certificate of Designation (as such may be amended from time to time) and in the Corporation's Certificate of Incorporation.

7. Headings of Subdivisions.

The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

8. Severability of Provisions.

If any right, preference or limitation of the Series A Preferred Stock set forth in this Certificate of Designation (as such may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other rights, preferences and limitations set forth in the this Certificate of Designation which can be given effect without the invalid, unlawful or unenforceable right, preference or limitation shall, nevertheless, remain in full force and effect, and no right, preference or limitation herein set forth shall be deemed dependent upon any other such right, preference or limitation unless so expressed herein.

9. Status of Reacquired Shares.

Shares of Series A Preferred Stock which have been issued and reacquired in any manner shall (upon compliance with any applicable provisions of the laws of the State of Delaware) have the status of authorized and unissued shares of Preferred Stock issuable in series undesignated as to series and may be redesignated and reissued.

IN WITNESS WHEREOF, this Certificate has been duly executed by the undersigned President and Secretary of the Corporation this _____ day of _____, 2000.

GRYPHON EXPLORATION COMPANY

By:_____
_____
President

ATTEST:

_____
_____
Secretary

EXHIBIT 99.1

CHENIERE ENERGY, INC.

CONTACT: DAVID CASTANEDA
INVESTOR RELATIONS
1-888-948-2036

NEWS RELEASE

E-mail: chex@mdcgroup.com

Cheniere Energy Closes $25,000,000 Funding With Warburg Pincus

HOUSTON, October 12, 2000 -- Cheniere Energy Inc. (NASDAQ: CHEXC) announced today that it has closed on its $25,000,000 funding agreement with Warburg, Pincus Equity Partners, L.P., a global private equity fund based in New York.

Cheniere's Chairman Charif Souki said, ``We have now funded our initial exploration program on the Fairfield Database with our new financial partner, Warburg Pincus. This achieves our goal of combining substantial financial resources with our leading edge exploration technology, and our world-class staff of exploration experts and managers. I think our prospects for success are very high with this combination."

The previously announced agreement between Cheniere and Warburg for the formation of Gryphon Exploration Company calls for Cheniere to contribute selected assets that include the 3D seismic database acquired from Fairfield Industries Inc., over approximately 8,800 square miles in the Gulf of Mexico, the prospects generated thereon, certain offshore leases, its Shark Prospect currently being drilled, its Joint Exploration Agreement with Samson Offshore Company and certain other assets. For its investment of $25,000,000, Warburg Pincus receives preferred stock with an 8 percent accrued dividend, convertible into 63.2 percent of Gryphon's common stock. Cheniere and Warburg Pincus also agreed, under certain circumstances, to contribute to Gryphon their pro rata portions of an additional $75 million.

In addition to a 36.8 percent interest in Gryphon, Cheniere maintains ownership of its currently producing oil and gas properties with reserves valued at $12,100,000 as of June 30, 2000, its proprietary 3D seismic database in the West Cameron area of Louisiana, a license to 1,900 square miles of 3D seismic data recently acquired from Seitel Data Ltd. and the option to license an additional 3,100 square miles of data from Seitel.

Souki added, "During the course of this year we achieved many of the goals we set forth for Cheniere's growth; we successfully attracted a sophisticated industry partner in Samson Resources for our Fairfield Database exploration program. We achieved positive cash flow and earnings. The recent addition to our management team of Charles Reimer to run operations at the Cheniere level, positions us to aggressively pursue our basket of opportunities on numerous fronts." Charles Reimer, who assumed Cheniere's helm as chief executive officer upon closing of the transaction, will remain on Cheniere's Board as well as serving on Gryphon's board of directors along with Cheniere Chairman Charif Souki, two representatives from Warburg Pincus and Mike Harvey, Gryphon's CEO.

Reimer said, "I'm anxious to move forward with Cheniere's business plan." As he takes over Cheniere's operations monthly cash flow is expected to average about $400,000 a month for the remainder of the year with the current production rate of 3MMcf/d after installation of compression earlier this month. He added, "This is a base from which we will look to grow as we develop an aggressive drilling program on our Seitel and proprietary databases, while pursuing several other opportunities. We are also excited that the Warburg investment enables us to ramp up the exploration program within Gryphon, under Mike Harvey's capable leadership. We expect all these activities to contribute to shareholder value as we continue to execute Cheniere's business plan."

Cheniere Energy, Inc. is an independent oil and gas company focused in and around the Gulf of Mexico. The company generates drilling prospects internally using its regional 3D seismic database and acquires drilling rights on these prospects through lease sales and farm-ins. Additional information about Cheniere can be found by calling the company's Investor and Media Relations Department at 888-948-2036 or by writing to chex@mdcgroup.com.

Except for the historical statements contained herein, this news release presents forward-looking statements that involve risks and uncertainties. Although the company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. Certain risks and uncertainties inherent in the company's business are set forth in the company's periodic reports that are filed with and available from the Securities and Exchange Commission.

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EXHIBIT 99.2

CHENIERE ENERGY, INC. CONTACT: DAVID CASTANEDA
Investor Relations
1-888-948-2036
E-mail: chex@mdcgroup.com

NEWS RELEASE

Cheniere Energy, Inc. Names New President

Houston - September 19, 2000 - Cheniere Energy, Inc. (NASDAQ:CHEX) announced today that its board of directors has elected Charles M. Reimer to serve as President and Chief Executive Officer of the company. Mr. Reimer has been a director of Cheniere since April 1998 and will continue to serve on the company's board.

Mr. Reimer has most recently served as President of British-Borneo USA, Inc. in Houston. Prior to joining British Borneo in November 1998, Mr. Reimer served as Chairman and CEO of Virginia Indonesia Company (VICO), the operator on behalf of Union Texas Petroleum Holdings, Inc. and LASMO plc, of major gas and oil reserves and production located in East Kalimantan, Indonesia. Mr. Reimer began his career with Exxon Company USA in 1967 and held various professional and management positions in Texas and Louisiana. After leaving Exxon in 1985, Mr. Reimer was named President of Phoenix Resources Company and relocated to Cairo, Egypt to begin eight years of international assignments.

Charif Souki, Cheniere's Chairman, said, "Charles has a tremendous depth of experience. He has led companies of considerable size and stature, and he brings a broad perspective to Cheniere. We recently announced the formation of our affiliate, Gryphon Exploration, to aggressively pursue our exploration program on the Fairfield data set in conjunction with Warburg, Pincus Equity Partners, L.P. Charles will serve on Gryphon's board of directors and will help oversee Cheniere's 36.8% interest in Gryphon. Using the same strategy to build programs around talented people, with leading edge technology, to exploit high impact oil and gas prospects, Charles will also lead our efforts to fully develop our production, exploit our proprietary data base in the West Cameron Parish, Louisiana, and the data base we recently acquired from Seitel. He has been a very valuable board member since joining us two years ago, and we are thrilled that he has agreed to lead the next phase of our growth."

Mr. Reimer will be replacing Michael L. Harvey, who will leave Cheniere to serve as President and Chief Executive Officer of Gryphon Exploration Company, a company recently formed by Cheniere to implement its exploration program over an 8,800-square-mile 3D seismic database, which Cheniere licensed last year from Fairfield Industries.

Cheniere Energy, Inc. is an independent oil and gas company focused in and around the Gulf of Mexico. The company generates drilling prospects using its 11,000-square-mile 3D seismic database and acquires drilling rights on these prospects through lease sales and farm-ins. Additional information about Cheniere can be found by calling the company's Investor and Media Relations Department at 888-948-2036.

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EXHIBIT 99.3

CHENIERE ENERGY, INC.

CONTACT: DAVID CASTANEDA
INVESTOR RELATIONS
1-888-948-2036

NEWS RELEASE

E-mail: chex@mdcgroup.com

Cheniere Energy Shareholders Approve 1-for-4 Reverse Stock Split

HOUSTON - October 17, 2000 -- Cheniere Energy Inc. (NASDAQ: CHEXC) announced today that its shareholders approved a one-for-four reverse stock split at a special shareholders meeting at the Company's Houston headquarters. The move was initiated to raise the Company's shares above the $1.00 minimum level, which would ensure that Cheniere's stock would meet the requirements to continue to trade on the NASDAQ SmallCap Market.

"We believe that this initiative is in the best interest of the Company and its shareholders," asserts Cheniere's Chairman Charif Souki. "We are at a point in our development where the company's fair value could be best reflected by continuing to be listed on NASDAQ. We feel that this move was needed not only to meet NASDAQ's requirements, but to maintain our liquidity."

The most immediate effect of the reverse split will be to reduce Cheniere's issued and outstanding shares from 42,989,572 shares to approximately 10,872,393 shares. The par value of the common will not be affected. The per share net income or loss and net book value of common stock will be increased to reflect the reduced number of shares outstanding.

Shareholders holding stock in the Company as of the close of business on October 17, 2000 will be re-issued one "new share" of stock for every four "old shares" held by them on that date. The Company's stock transfer agent, US Stock Transfer, will distribute the stock. NASDAQ has confirmed that at the opening of trading on October 18, 2000, the Company's shares will trade on a post-reverse-split basis. The symbol will change to CHXCD for a period of 20 days so the trading community is aware of the reverse split. Cheniere was granted a temporary exception from NASDAQ when the Company failed to meet NASDAQ's $1.00 minimum bid price guidelines in August. The exception will expire on October 23, 2000.

In the event the Company is deemed to have met the terms of its exception, it shall continue to be listed on the NASDAQ SmallCap Market. The Company believes it can meet these conditions; however, there can be no assurance it will do so. If at some future date the Company's securities should cease to be listed on the NASDAQ SmallCap Market, the Company may continue to be listed on the OTC-bulletin board.

Cheniere Energy, Inc. is an independent oil and gas company focused in and around the Gulf of Mexico. The company generates drilling prospects internally using its regional 3D seismic database and acquires drilling rights on these prospects through lease sales and farm-ins. Additional information about Cheniere can be found by calling the company's Investor and Media Relations Department at 888-948-2036 or by writing to chex@mdcgroup.com.

Except for the historical statements contained herein, this news release presents forward-looking statements that involve risks and uncertainties. Although the company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. Certain risks and uncertainties inherent in the company's business are set forth in the company's periodic reports that are filed with and available from the Securities and Exchange Commission.

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