UNITED STATES
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): February 27, 2003

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

Delaware	1-16383	95-4352386
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

333 Clay Street Suite 3400 Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

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

ITEM 2. Acquisition or Disposition of Assets
ITEM 5. Other Events

On March 3, 2003, Cheniere Energy, Inc. (the "Company") issued a press release announcing that it had closed the transactions contemplated by the Contribution Agreement, dated as of August 26, 2002, as amended by (i) the Extension and Amendment to Contribution Agreement, dated as of September 19, 2002, (ii) the Second Extension and Amendment to Contribution Agreement, effective as of October 4, 2002, and (iii) the Third Amendment to Contribution Agreement, dated as of February 27, 2003, in each case, by and among Freeport LNG Investments, LLC, Freeport LNG-GP, Inc., the Company, Cheniere LNG, Inc. and Freeport LNG Terminal, L.L.C.

The press release also announced that Contango Oil & Gas Company exercised its option to acquire from the Company a 10% interest in Freeport LNG Development, L.P. pursuant to the Partnership Interest Purchase Agreement, dated as of March 1, 2003.

The press release and the material contracts governing the transactions described therein are attached hereto as exhibits and incorporated herein in their entirety.

ITEM 7. Financial Statements and Exhibits.

(b) Pro Forma Financial Information.

In August 2002, Cheniere entered into a Contribution Agreement with entities controlled by Michael S. Smith providing for the formation of a limited partnership, Freeport LNG Development, L.P. (Development) to develop the Freeport receiving terminal. Under the terms of the Contribution Agreement, Cheniere contributed its site lease option at Freeport, its technical expertise and know-how, and all of the work in progress related to the Freeport project in exchange for a 40% interest in Development. Michael S. Smith, through a controlled entity, Freeport LNG Investments, LLC (Investments), will pay Cheniere $5,000,000 in installments and contribute up to $9,000,000 to fund Freeport project expenses before additional contributions may be required of Cheniere. Investments holds a 60% interest in Development and Michael S. Smith will manage the project as chief executive officer of Development. The transaction was consummated on February 27, 2003.

On March 1, 2003, pursuant to an existing option purchase agreement, Cheniere sold a 10% interest in Development to Contango Oil & Gas Company for $2,333,333, payable over time. Cheniere retained a 30% interest in Development.

In connection with the closing of the transactions in 2003, Cheniere issued warrants for the purchase of 1,000,000 shares of its common stock at a price of $2.50 per share, exercisable for a period of 10 years.

The following sets forth the pro forma effects of the transactions on Cheniere's balance sheet, as if the transactions had been consummated at September 30, 2002, which is the most recent date for which a balance sheet has been prepared and filed with the Securities and Exchange Commission.

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	Historical	Pro Forma Adjustments		Pro Forma
	(Unaudited)			
<S>	<C>	<C>	<C>	<C>
Current Assets	$ 1,195,299	$ 650,000 (1)	$ (415,000) (1)	$ 3,967,299
		944,000 (1)	(60,000) (4)	
		(944,000) (6)	384,000 (6)	
		1,000,000 (7)	(370,000) (6)	
		1,583,000 (8)		
Oil and Gas Properties	17,228,728			17,228,728
LNG Site Costs	1,525,000	(125,000) (1)	(1,400,000) (2)	-
Investment in Partnership	-	1,400,000 (2)	750,000 (5)	4,939,000
		4,760,000 (3)	(1,000,000) (7)	
		600,000 (4)	(1,571,000) (8)	
Other	251,186			251,186
Total Assets	$ 20,200,213			$ 26,386,213
Current Liabilities	$ 3,213,112	$ (415,000) (1)	$ 540,000 (4)	$ 1,658,112
		(370,000) (6)	(560,000) (6)	
		(750,000) (8)		
Stockholders' Equity				
Common Stock	39,892			39,892
Additional Paid-in-Capital	41,343,662	750,000 (5)		42,093,662
Accumulated Deficit	(24,396,453)	1,469,000 (1)	4,760,000 (3)	(17,405,453)
		762,000 (8)		
Total Stockholders' Equity	16,987,101			24,728,101
Total Liabilities and Stockholders' Equity	$ 20,200,213			$ 26,386,213

</TABLE>

The pro forma adjustments include the following entries:

(1) To record $650,000 pre-closing payment received from Investments, payment of $415,000 of project payables, recovery of $125,000 of LNG site costs and $1,469,000 of G&A expenses and $944,000 accounts receivable for the balance of reimbursable costs,

(2) To reclassify $1,400,000 in LNG site costs to Investment in Partnership,

(3) To record $4,760,000 gain on sale of 60% interest in Freeport project,

(4) To record $600,000 in financial advisor fees, of which $60,000 had been previously accrued,

(5) To record the issuance of warrants valued at $750,000,

(6) To record collection of $944,000 account receivable through $384,000 cash reimbursement, and $560,000 assumption of liabilities by Development, and repayment of $370,000 in payables,

(7) To record the $1,000,000 first installment payment by Development and

(8) To record $2,333,000 sale by Cheniere of 10% interest in Development and resulting $762,000 gain, establishing $1,583,000 in receivables and canceling $750,000 note payable.

(c) Exhibits.

10.1	Contribution Agreement, dated as of August 26, 2002, by and among Freeport LNG Investments, LLC, Freeport LNG-GP, Inc., Cheniere Energy, Inc., Cheniere LNG, Inc. and Freeport LNG Terminal, L.L.C. (Incorporated by reference to Exhibit 2 of the Company's Current Report on Form 8-K filed on September 4, 2002 (File No. 1-16383)).
10.2	Extension and Amendment to Contribution Agreement, dated as of September 19, 2002, by and among Freeport LNG Investments, LLC, Freeport LNG-GP, Inc., Cheniere Energy, Inc., Cheniere LNG, Inc. and Freeport LNG Terminal, L.L.C. (Incorporated by reference to Exhibit 2 of the Company's Current Report on Form 8-K filed on September 26, 2002 (File No. 1-16383)).
10.3	Second Extension and Amendment to Contribution Agreement, effective as of October 4, 2002, by and among Freeport LNG Investments, LLC, Freeport LNG-GP, Inc., Cheniere Energy, Inc., Cheniere LNG, Inc. and Freeport LNG Terminal, L.L.C. (Incorporated by reference to Exhibit 1 of the Company's Current Report on Form 8-K filed on November 5, 2002 (File No. 1-16383)).
10.4*	Third Amendment to Contribution Agreement, dated as of February 27, 2003, by and among Freeport LNG Investments, LLC, Freeport LNG-GP, Inc., Cheniere Energy, Inc., Cheniere LNG, Inc. and Freeport LNG Terminal, L.L.C.
10.5*	Amended and Restated Partnership Agreement of Freeport LNG Development, L.P., dated as of February 27, 2003, by and among Freeport LNG-GP, Inc., Freeport LNG Investments, LLC and Cheniere LNG, Inc.
10.6*	Warrant to Purchase Common Stock, dated as of February 27, 2003, issued by Cheniere Energy, Inc. in favor of Freeport LNG Investments, LLC.
10.7*	Option Agreement, dated as of February 27, 2003, by and between Freeport LNG Investments, LLC and Cheniere Energy, Inc.
10.8*	Partnership Interest Purchase Agreement, dated as of March 1, 2003, by and among Contango Sundance, Inc., Contango Oil & Gas, Cheniere LNG, Inc. and Cheniere Energy, Inc.
10.9*	Warrant to Purchase Common Stock, dated as of March 1, 2003, issued by Cheniere Energy, Inc. in favor of Contango Sundance, Inc.
99.1*	Press release dated March 3, 2003 announcing the closing of the transactions contemplated by the Contribution Agreement, as amended, and the exercise of Contango Oil & Gas Company's option to acquire a 10% interest in Freeport LNG Development, L.P.

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* - Filed Herewith

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.

Date: March 7, 2003

By: /s/ Don A. Turkleson

Name: Don A. Turkleson
Title: Chief Financial Officer

Exhibit 10.4

THIRD AMENDMENT
TO
CONTRIBUTION AGREEMENT

This Third Amendment to Contribution Agreement (this "Amendment"), effective as of February 27, 2003 (the "Effective Date"), is between (1) Freeport LNG Investments, LLC, a Delaware limited liability company ("Investments"), (2) Freeport LNG-GP, Inc., a Delaware corporation (the "General Partner"), (3) Cheniere Energy, Inc., a Delaware corporation ("Cheniere"), (4) Cheniere LNG, Inc., a Delaware corporation ("Cheniere LNG") and (5) Freeport LNG Terminal, LLC, a Delaware limited liability company ("Terminal LLC" together with Cheniere and Cheniere LNG, the "Cheniere Entities"). Each of Investments, General Partner, and the Cheniere Entities is sometimes referred to herein as a "Party," and all of them together, are sometimes referred to herein as the "Parties."

RECITALS

WHEREAS, the Parties executed a Contribution Agreement, dated August 26, 2002, as amended by the Extension and Amendment to the Contribution Agreement, dated September 19, 2002, and the Second Extension and Amendment to the Contribution Agreement, effective as of October 4, 2002 (collectively, the "Contribution Agreement") (capitalized terms used herein and not otherwise defined herein shall have the same meaning assigned to them in the Contribution Agreement);

WHEREAS, the Parties believe it is in the best interest of the Parties to amend the Contribution Agreement as set forth herein; and

WHEREAS, pursuant to Section 9.8 of the Contribution Agreement, the Contribution Agreement may be amended only by the written consent of the Parties.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

AGREEMENT

1. The following defined term shall be added to Article I of the Contribution Agreement:

"Pre-Closing Project Expenses" shall mean all actual expenses over and above $150,000, including but not limited to, all reasonable attorneys' and professionals' fees, travel expenses and other overhead expenses, incurred by Investments, General Partner or any of their Affiliates related to or associated with the Project, including, but no limited to, expenses related to or associated with the negotiations, preparation and consummation of the Contribution Agreement, Transaction Documents, Amendment and Lease Agreement."

2. Section 2.1(a)(i) shall be deleted in its entirety, the Lease Option shall no longer be included in the definition of "Contributed Assets", and all references to the Lease Option are hereby deleted.

3. Section 2.1(a)(vi) is hereby amended by the addition of the following, immediately before the parenthetical "(collectively the "Company R&D")": ", which shall expressly include all rights and interests in and to technology covered by any agreement or understanding between any of

the Cheniere Entities and Volker Eyermann". In addition, the following shall be added to the end of Section 2.1(a)(vi): "; provided, however, that pursuant to Section 5.2(g), the Cheniere Entities and their Affiliates shall have the right to use any technology under this Section (including technology covered by any agreement or understanding between any of the Cheniere Entities and Volker Eyermann) without payment to Investments or the Partnership as it determines in its discretion in order to develop or operate any other business or venture of any description including the development and operation of another LNG Facility".

4. Section 2.1(d)(iv) is hereby deleted and replaced in its entirety by the following:

"(iv) Liabilities incurred by Investments or the General Partner through the Closing, except for the Pre-Closing Project Expenses;"

5. Section 4.1(g) is hereby deleted in its entirety and replaced by the words "Intentionally Omitted".

6. Exhibit A to the Contribution Agreement is hereby deleted in its entirety and replaced by Exhibit A attached hereto.

7. Exhibit B to the Contribution Agreement is hereby deleted in its entirety and replaced by Exhibit B attached hereto.

8. Schedule 2.3(a) to the Contribution Agreement is hereby deleted in its entirety and replaced by Schedule 2.3(a) attached hereto.

9. The following shall be added to the end of Section C of Schedule 2.3(a)(ii) to the Contribution Agreement:

"In the event the Closing occurs, Section 16.2 of the Partnership Agreement shall govern the repayment of the Reimbursement Amount (as such term is defined in the Partnership Agreement for purposes of post-Closing obligations of the Cheniere Entities), and nothing herein shall in any way conflict with or restrict Section 16.2 of the Partnership Agreement. In the event of any conflict between this Section C and Section 16.2 of the Partnership Agreement, the terms of Section 16.2 of the Partnership Agreement shall control."

10. Section E of Schedule 2.3(a)(ii) to the Contribution Agreement is hereby deleted in its entirety and replaced by the following:

"E. Pledge of Gryphon Exploration Company Stock. Upon the District and the Partnership executing a binding and enforceable Lease Agreement, Cheniere agrees that the payment to Investments of the Reimbursement Amount shall be secured by a first priority security interest in the Gryphon Exploration Company stock owned by Cheniere or an Affiliate thereof (the "Gryphon Stock"). Such security interest shall be evidenced by a pledge agreement in the form attached hereto as Exhibit 1 (the "Pledge Agreement"). Investments agrees to execute any document required under the Stockholders Agreement (as defined in the Pledge Agreement). Prior to the earlier of (1) the Closing, (2) the termination of the Contribution Agreement or (3) release of the Gryphon Stock, Cheniere agrees that neither it nor any of its Affiliates will sell, transfer, assign, pledge, hypothecate or otherwise dispose of or encumber any of the Gryphon Stock without the prior written consent of Investments. In the event the Closing occurs, the Gryphon Stock shall not be released and Cheniere, any appropriate Affiliate of Cheniere (if necessary) and Investments shall enter into an Amended and Restated Stock

Pledge Agreement in the form attached hereto as Exhibit 2 with respect to the Gryphon Stock. In addition, in the event the Closing occurs, Section 16.2 of the Partnership Agreement shall govern the repayment of the Reimbursement Amount (as such term is defined in the Partnership Agreement for purposes of post-Closing obligations of the Cheniere Entities) and the pledge of the Gryphon Stock, and nothing herein shall in any way conflict with or restrict Section 16.2 of the Partnership Agreement. In the event of any conflict between this Section D and Section 16.2 of the Partnership Agreement, the terms of Section 16.2 of the Partnership Agreement shall control."

11. This Amendment shall be effective only for the specific purposes set forth herein, and shall supercede and replace any prior agreements, understandings and writings with respect to the subject matter hereof. Except as modified by this Amendment, the terms, covenants and provisions of the Contribution Agreement are hereby ratified and confirmed and shall continue in full force and effect.

12. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Each Party hereto agrees to accept the facsimile signature of the other Parties hereto and to be bound by its own facsimile signature; provided, however, that the Parties shall exchange original signatures by overnight mail.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be duly executed as of the Effective Date.

CHENIERE ENERGY, INC.

By: /s/ Charif Souki

Name: Charif Souki
Title: Chairman

CHENIERE LNG, INC.

By: /s/ Charif Souki

Name: Charif Souki

Title: President

FREEPORT LNG TERMINAL, LLC

By: /s/ Charif Souki

Name: Charif Souki
Title: Manager

FREEPORT LNG INVESTMENTS, LLC

By: /s/ Michael S. Smith

Name: Michael S. Smith
Title: Managing Member

FREEPORT LNG-GP, INC.

By: /s/ Michael S. Smith

Name: Michael S. Smith
Title: Chief Executive Officer

EXHIBIT 10.5

FREEPORT LNG DEVELOPMENT, L.P.
(A Delaware limited partnership)

AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT

THE SECURITIES REPRESENTED BY THIS INSTRUMENT OR DOCUMENT HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE. WITHOUT SUCH REGISTRATION, SUCH SECURITIES MAY NOT BE SOLD OR OTHERWISE TRANSFERRED AT ANY TIME, EXCEPT UPON DELIVERY TO THE PARTNERSHIP OF AN OPINION OF COUNSEL SATISFACTORY TO THE GENERAL PARTNER OF THE PARTNERSHIP THAT REGISTRATION IS NOT REQUIRED FOR SUCH TRANSFER OR THE SUBMISSION TO THE GENERAL PARTNER OF THE PARTNERSHIP OF SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY TO THE GENERAL PARTNER TO THE EFFECT THAT ANY SUCH TRANSFER OR SALE WILL NOT BE IN VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS OR ANY RULE OR REGULATION PROMULGATED THEREUNDER.

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AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
FREEPORT LNG DEVELOPMENT, L.P.

Amended and Restated Limited Partnership Agreement (this "Agreement") of Freeport LNG Development, L.P., a Delaware limited partnership (the "Partnership"), is made effective as of February 27, 2003 (the "Effective Date"), by and among Freeport LNG-GP, Inc., a Delaware corporation ("Freeport GP"), as the general partner, Freeport LNG Investments, LLC, a Delaware limited liability company, as a limited partner ("LNG Investments"), and Cheniere LNG, Inc., a Delaware corporation, as a limited partner ("Cheniere"). Cheniere and LNG Investments and any other party admitted as a limited partner in accordance with the terms hereof are hereinafter collectively referred to as the "Limited Partners" and individually, as a "Limited Partner". The General Partner and the Limited Partners are herein collectively referred to as the "Partners".

R E C I T A L S:

A. The Partnership was formed on September 3, 2002 to develop, build, own and operate a Freeport LNG Facility (the "Project");

B. On December 1, 2002, Freeport GP and LNG Investments (the "Original Partners") entered into a Limited Partnership Agreement of the Partnership (the "Original Partnership Agreement");

C. The Original Partners now desire to admit Cheniere to the Partnership as a Limited Partner and to establish the respective rights and obligations of the General Partner and the Limited Partners with respect to the Partnership and to provide for the orderly management of the business and affairs of the Partnership; and

D. The Original Partners desire to amend and restate in its entirety the Original Partnership Agreement and to replace and supersede such agreement with this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the General Partner and the Limited Partners hereby agree as follows:

ARTICLE I
Definitions

The following terms, as used herein, shall have the following respective meanings:

1.1 "Act" shall mean the Delaware Revised Uniform Limited Partnership Act, Del. Code Ann. Tit. 6, ch. 17, or from and after the date any successor statute becomes, by its terms, applicable to the Partnership, such successor statute, in each case as amended at such time by amendments that are, at that time applicable to the Partnership.

1.2 "Additional Contributed Equity" means, with respect to any Partner the amount of capital contributed by such Partner to the Partnership in accordance with Section 3.4 of this Agreement.

1.3 "Adjusted Capital Account Balance"(a) means, with respect to any Partner for any period, the balance, if any, in such Partner's Capital Account as of the end of such period after giving effect to adjustments in accordance with Section 1.704 of the Regulations.

1.4 "Advisory Committee" has the meaning set forth in Section 11.1.

1.5 "Affiliate" means with respect to any Person, a second Person which is controlled by, controls or is under common control with such first Person and, with respect to the Partnership, any constituent party of the Partnership. For purposes of the foregoing, "control" of any Person means the power to direct the management and policies of such Person, whether by the ownership of voting securities, by contract or otherwise.

1.6 "Affiliate Payment" means any compensation paid by the Partnership to any direct or indirect Affiliate of the Partnership or to any of its Partners, including any amount paid in the form of salary, bonus, fees or otherwise to any Partner or Affiliate of any Partners, but excluding (i) any distributions pursuant to Article V of this Agreement and (ii) any amounts paid for the reimbursement of reasonable and actual costs and expenses incurred on behalf of the Partnership, including, without limitation, the reimbursement for secretarial, accounting, professional expenses and any payments to cover overhead costs such as rent, office equipment or otherwise, and travel, entertainment and similar expenses.

1.7 "Affiliate Transaction" has the meaning set forth in Section 10.9.

1.8 "Agreement" means this Amended and Restated Limited Partnership Agreement, as amended or restated from time to time.

1.9 "Asset Value" with respect to any Partnership Asset means:

(a) The fair market value on the date of contribution of any asset contributed to the Partnership by any Partner;

(b) The fair market value on the date of distribution of any asset distributed by the Partnership to any Partner as consideration for an Interest in the Partnership;

(c) The fair market value of all Partnership Assets at the time of the happening of any of the following events: (A) the admission of a Partner to, or the increase of an Interest of an existing Partner in, the Partnership in exchange for Contributed Equity; or (B) the liquidation of the Partnership under Section 1.704-1(b)(2)(ii)(g) of the Regulations; or

(d) The Basis of the asset in all other circumstances.

1.10 "Balance Sheet" has the meaning set forth in Section 6.3(b).

1.11 "Bankruptcy" with respect to any Person means any one of:

(a) The filing of a voluntary petition in bankruptcy or reorganization or the filing for adoption of an arrangement under the United States Bankruptcy Code;

(b) The making of a general assignment for the benefit of creditors; or

(c) The commencement against such Person of an involuntary case seeking the liquidation or reorganization of such Person under the Bankruptcy Laws or an involuntary case or proceeding seeking the appointment of a receiver, custodian, trustee or similar official for it, or to take possession of all or substantially all of its property, and any of the following events occur (i) such Person consents to such involuntary case or proceeding, (ii) the petition

commencing the involuntary case or preceding remains undismissed and unstayed for a period of sixty (60) days, or (iii) an order for relief shall have been issued or entered therein or a receiver, custodian, trustee or similar official appointed.

1.12 "Bankruptcy Action" means:

(a) Taking any action that might cause the Partnership or the General Partner to become insolvent; or

(b) (i) Commencing any case, proceeding or other action on behalf of the Partnership or the General Partner under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors;

(ii) Instituting proceedings to have the Partnership or the General Partner adjudicated as bankrupt or insolvent;

(iii) Consenting to, or acquiescing in, the institution of bankruptcy or insolvency proceedings against the Partnership or the General Partner or the Partnership or the General Partner being adjudicated as bankrupt or insolvent;

(iv) Filing a petition or consenting to a petition seeking reorganization, arrangement, adjustment, winding-up, dissolution, composition, liquidation or other relief on behalf of the Partnership or the General Partner of its debts under federal or state law relating to bankruptcy;

(v) Seeking or consenting to the appointment of a receiver, Liquidator, assignee, trustee, sequestrator, custodian or any similar official for the Partnership or the General Partner or a substantial portion of either of their properties or the appointment thereof;

(vi) Making any assignment for the benefit of the Partnership's or the General Partner's creditors; or

(vii) Taking any action or causing the Partnership or the General Partner to take any action in furtherance of any of the foregoing.

1.13 "Bankruptcy Law" means Title 11 U.S. Code, or any similar federal or state law for the relief of debtors.

1.14 "Basis" means, with respect to any asset of the Partnership, the adjusted basis of such asset for federal income tax purposes; provided, however, (a) if any asset is contributed to the Partnership, the initial Basis of such asset shall equal its fair market value on the date of contribution, and (b) if the Capital Accounts of the Partners are adjusted pursuant to Section 1.704-1(b) of the Regulations to reflect the fair market value of any asset of the Partnership, the Basis of such asset shall be adjusted to equal its respective fair market value as of the time of such adjustment in accordance with such Regulation. The Basis of all assets of the Partnership

shall be adjusted thereafter by Depreciation as provided in Section 1.704-1(b)(2)(iv)(g) of the Regulations and any other adjustment to the Basis of such assets other than depreciation or amortization.

1.15 "Budget" has the meaning set forth in Section 14.2.

1.16 "Business" has the meaning set forth in Section 2.3.

1.17 "Capacity Reservation" means a third party's commitment, option or other agreement under which the Partnership receives consideration in exchange for the reservation of future regasification capacity of the Project.

1.18 "Capital Account" means the capital account maintained for each Partner in accordance with Section 4.1 of this Agreement.

1.19 "Certificate of Limited Partnership" means the Certificate of Limited Partnership, as amended or restated from time to time, filed with the Secretary of State of Delaware in accordance with the Act, attached hereto as to Exhibit A.

1.20 "Cheniere Closing Date Contribution" has the meaning set forth in Section 3.1.

1.21 "Cheniere Closing Date Distribution" has the meaning set forth in Section 3.1.

1.22 "Cheniere Initial Equity Amount" has the meaning set forth in Section 3.1.

1.23 "Closing Date" means the date of the closing of the transactions

contemplated by the Contribution Agreement.

1.24 "Construction Financing" has the meaning set forth in Section 10.2(c).

1.25 "Contributed Equity" of any Partner means that amount of capital actually contributed by the Partner to the Partnership pursuant to this Agreement.

1.26 "Contributing Partner" has the meaning set forth in Section 3.5.

1.27 "Contribution Agreement" means the Contribution Agreement by and among the Partnership, Freeport GP, LNG Investments and Cheniere dated as of August 26, 2002, as amended by the Extension and Amendment to the Contribution Agreement, dated September 19, 2002, the Second Extension and Amendment to the Contribution Agreement, effective as of October 4, 2002 and the Third Amendment to the Contribution Agreement, dated as of the Effective Date.

1.28 "Contribution Date" has the meaning set forth in Section 3.4.

1.29 "Delinquent Contribution" has the meaning set forth in Section 3.5.

1.30 "Delinquent Partner" has the meaning set forth in Section 3.5.

1.31 "Depreciation" for each Fiscal Year shall mean an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to a Partnership Asset for such Fiscal Year, except that if the Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year,

Depreciation with respect to that asset shall be an amount that bears the same ratio to such beginning Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction with respect to that asset for such Fiscal Year bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization or other cost recovery deduction with respect to that asset for such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Asset Value using any reasonable method determined by the General Partner and approved by Cheniere.

1.32 "Early Contribution Date" has the meaning set forth in Section 3.4(c).

1.33 "Entity" shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, association or other recognized business form.

1.34 "Environmental Laws" means any federal, state, or local statute, code, ordinance, rule, regulation, permit, consent, approval, license, judgment, order, writ, judicial decision, common law rule, decree, agency interpretation, injunction or other authorization or requirement whenever promulgated, issued, or modified, including the requirement to register underground storage tanks, relating to:

(a) emissions, discharges, spills, releases, or threatened releases of pollutants, contaminants, hazardous substances, materials containing hazardous substances, or hazardous or toxic materials or wastes into ambient air, surface water, groundwater, watercourses, publicly or privately owned treatment works, drains, sewer systems, wetlands, septic systems, or onto land;

(b) the use, treatment, storage, disposal, handling, manufacturing, transportation. or shipment of hazardous substances, materials containing hazardous substances, or hazardous and/or toxic wastes, material, products, or by-products (or of equipment or apparatus containing hazardous substances) as defined in or regulated under any statutes and their implementing regulations including but not limited to: the Hazardous Materials Transportation Act, 49 U.S.C. (S) 1801 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. (S) 6901 et seq., the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, 42 U.S.C. (S) 9601 et seq., and/or the Toxic Substance Control Act. 15 U.S.C. (S) 2601 et seq., each as amended from time to time; and

(c) otherwise relating to the pollution or the protection of human health or the environment.

1.35 "Expenses" means, with respect to any period, the sum of the total gross expenditures of the Partnership during such period, including (a) all cash operating expenses (including all fees, commissions, expenses, and allowances paid or reimbursed to any Partner or any of its Affiliates pursuant to any separate agreement or otherwise as permitted hereunder), (b) all payments by the Partnership under any loans to the Partnership, including loans made by the Partners or any of their respective Affiliates, including all principal,

interest, fees and charges (pursuant to Section 3.3, Section 3.5 or otherwise), (c) all expenditures by the Partnership which are treated as capital expenditures (as distinguished from expense deductions) under GAAP, (d) all real estate taxes, personal property taxes, and sales taxes, (e) all deposits to the Partnership's reserve accounts, and (f) all expenditures related to any acquisition, sale, disposition, financing, refinancing, or securitization of any Partnership Assets;

provided, however, that Expenses shall not include (i) any payment or expenditure to the extent the sources or funds used for such payment or expenditure are not included in Revenues, or (ii) any expenditure properly attributable to the liquidation of the Partnership.

1.36 "FERC" means the Federal Energy Regulatory Commission.

1.37 "Financial Statements" has the meaning set forth in Section 14.2.

1.39 "Fiscal Year" means the taxable year of the Partnership for federal income tax purposes as determined by I.R.C. Section 706 and the Regulations thereunder.

1.40 "Freeport LNG Facility" means a liquefied natural gas receiving and regasification facility to be developed, built, owned or operated in, or within a 25 mile radius of, Freeport, Texas.

1.41 "Freeport GP Initial Equity Amount" has the meaning set forth in Section 3.1.

1.42 "GAAP" means generally accepted accounting principles consistently applied in the United States of America.

1.43 "General Partner" means Freeport LNG-GP, Inc. (also referred to herein as "Freeport GP"), the sole general partner of the Partnership or any replacement or successor appointed pursuant to the provisions of this Agreement.

1.44 "Governmental Entity" means any United States federal, state or local, or any foreign government, governmental authority, regulatory or administrative agency, governmental commission, court or tribunal (or any department, bureau or division thereof).

1.45 "Governmental Permits" means all franchises, approvals, authorizations, permits, licenses, easements, registrations, qualifications, leases, variances and similar rights required by the Cheniere Entities or the Partnership, as the case may be, from any Governmental Entity for the Project.

1.46 "Gryphon Stock" has the meaning set forth in Section 16.2.

1.47 "Indemnitee" has the meaning set forth in Section 10.7(b).

1.48 "Initial Equity Amounts" means the LNG Investments Initial Equity Amount and the Cheniere Initial Equity Amount.

1.49 "Interest" means the ownership interest of a Partner in the Partnership (which shall be considered personal property for all purposes), consisting of (i) such Partner's Percentage Interest in Profit, Loss, allocations of other items of income, gain, deduction, and loss and distributions, (ii) such Partner's right to vote or grant or withhold consents with respect to Partnership matters as provided herein or in the Act, and (iii) such Partner's other rights and privileges as herein provided.

1.50 "I.R.C." means the Internal Revenue Code of 1986, as amended.

1.51 "Lease Agreement" means the Ground Lease and Development Agreement, dated December 12, 2002, between the Brazos River Harbor Navigation District of Brazoria County, Texas and the Partnership, as amended.

1.52 "Limited Partners" means LNG Investments and Cheniere and each of the parties who may hereafter become additional or substituted Limited Partners in accordance with this Agreement.

1.53 "Liquidator" has the meaning set forth in Section 20.1(c).

1.54 "LNG Investments Closing Date Contribution" has the meaning set forth in Section 3.1.

1.55 "LNG Investments Expenses" means, collectively, the Pre-Closing Accounts Payable (as defined in the Contribution Agreement), the Pre-Closing Project Expenses and any other amounts LNG Investments or any of its Affiliates previously incurred on behalf of or contributed to the Partnership pursuant to

Sections 2.3(b) and (c) of the Contribution Agreement, which collectively as of the Effective Date is estimated to be $2,600,000 in the aggregate.

1.56 "LNG Investments Initial Equity Amount" has the meaning set forth in Section 3.1.

1.57 "Major Decision" has the meaning set forth in Section 10.2.

1.58 "Majority" means more than 50%.

1.59 "Majority In Interest" means Partners holding a Majority of the Percentage Interests.

1.60 "Material Adverse Effect" means a material adverse effect on (a) the Business, operations, the Partnership Assets or financial condition of the Partnership or any Partner, (b) the ability of the Partnership or any Partner to perform its obligations under this Agreement, or (c) the validity or enforceability of this Agreement.

1.61 "Minimum Gain" has the same meaning as the term "partnership minimum gain" in Section 1.704-2(b)(2) and (d) of the Regulations.

1.62 "MS Entities" means both LNG Investments and Freeport GP.

1.63 "Net Cash Flow" means, for any period, the excess of (a) Revenues for such period, over (b) Expenses for such period.

1.64 "Nonrecourse Deductions" has the same meaning as in Section 1.704-2(b)(1) of the Regulations.

1.65 "Other Partners" means each Partner in the Partnership other than the General Partner.

1.66 "Partner" means each of the parties who executes this Agreement or a counterpart of this Agreement as either a General Partner or a Limited Partner and each of the parties who may hereafter become additional or substituted Limited Partners in accordance herewith. References to the Partner in the singular or as him, her, it, itself, or other like references shall also, where the context so requires be deemed to include the plural or the masculine or feminine reference, as the case may be; references to the Partners in the plural, or other like references shall also, where the context so requires, be deemed to include the singular, as the case may be.

1.67 "Partner Nonrecourse Debt" has the same meaning as the term "partner nonrecourse debt" in Section 1.704-2(b)(4) of the Regulations.

1.68 "Partner Nonrecourse Debt Minimum Gain" has the same meaning as the term "partner nonrecourse debt minimum gain" in Section 1.704-2(i)(2) of the Regulations and shall be determined in the manner set forth in Section 1.704-2(i)(3) of the Regulations.

1.69 "Partner Nonrecourse Deductions" has the meaning set forth in Section 1.704-2(i)(1) of the Regulations.

1.70 "Partnership" means Freeport LNG Development, L.P.

1.71 "Partnership Accountant" has the meaning set forth in Section 14.6.

1.72 "Partnership Assets" means all of the personal and real property, tangible or intangible, owned by the Partnership during the term of its existence.

1.73 "Partnership Minimum Gain" has the meaning set forth in Section 1.704-2(d) of the Regulations.

1.74 "Percentage Interest" means for each Partner the percentage set forth opposite such Partner's name in Section 3.2 as adjusted pursuant to the provisions of Section 3.5. The combined Percentage Interest of all Partners shall at all times equal 100 percent.

1.75 "Person" means an individual, partnership, limited liability company. corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

1.76 "Pre-closing Project Expenses" shall mean all actual expenses over and above $150,000, including but not limited to, all reasonable attorneys' and professionals' fees, travel expenses and other overhead expenses, incurred by LNG Investments, Freeport GP or any of their Affiliates related to or associated with Project, including, but not limited to, expenses related to or associated with the negotiations, preparation and consummation of the Contribution

Agreement, Related Documents (as defined in the Contribution Agreement), and the Lease Agreement.

1.77 "Profit" and "Loss" means for each Fiscal Year or other period, an amount equal to the Partnership's taxable income or tax loss for the Fiscal Year or other period, determined in. accordance with Section 703(a) of the I.R.C. (including all items of income, gain, loss or deduction required to be stated separately under Section 703(a)(1) of the I.R.C.), with the following adjustments:

(a) any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Profit or Loss will be added to taxable income or tax loss;

(b) any expenditures of the Partnership described in Section 705(a)(2)(B) of the I.R.C. or treated as Section 705(a)(2)(B) expenditures under Section 1.704-l(b)(2)(iv)(i) of the Regulations, and not otherwise taken into account in computing Profit or Loss, will be subtracted from taxable income or tax loss:

(c) gain or loss resulting from any disposition of Partnership Assets with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Asset Value of the property, notwithstanding that the adjusted tax basis of the property differs from its Asset Value;

(d) in lieu of Depreciation, amortization and other cost recovery deductions taken into account in computing taxable income or tax loss, there will be taken into account Depreciation for the Fiscal Year or other period as determined in accordance with Section 1.704-l(b)(2)(iv)(g) of the Regulations;

(e) any items specially allocated pursuant to Section 4.3 and 4.5 shall not be considered in determining Profit or Loss; and

(f) any increase or decrease to Capital Accounts as a result of any adjustment to the book value of Partnership Assets pursuant to Section 1.704-1(b)(2)(iv)(f) or (g) of the Regulations shall constitute an item of Profit or Loss as appropriate.

1.78 "Profit" or "Loss" means for each Fiscal Year, the Profit or Loss for such Fiscal Year.

1.79 "Project" has the meaning set forth in the Recitals to this Agreement.

1.80 "Project Approval" means the Partnership's receipt of all final and non-appealable Governmental Permits, including all FERC approvals, necessary to commence construction of the Project.

1.81 "Reimbursement Amount" has the meaning set forth in Section 16.2.

1.82 "Regulations" means the Treasury regulations, including temporary regulations, promulgated under the I.R.C., as from time to time in effect.

1.83 "Removal Event" has the meaning set forth in Section 10.10.

1.84 "Removal Notice" has the meaning set forth in Section 10.10.

1.85 "Requirements of Law" means, as to any Person, the Certificate or Articles of Formation, Certificate or Articles of Incorporation, by-laws and operating agreement or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

1.86 "Returned Amount" has the meaning set forth in Section 5.1.

1.87 "Revenues" means, with respect to any period, the sum of the total gross dollars received by the Partnership during such period, including all receipts of the Partnership from (a) proceeds from the sale or disposition of any Partnership Assets, (b) funds made available to the extent such funds are withdrawn from the Partnership's reserve accounts and deposited into the Partnership's operating accounts, (c) rent or business interruption insurance, if any, (d) proceeds from the financing, refinancing, or securitization of any Partnership Assets, and (e) other revenues and receipts realized by the Partnership; provided, however, that Revenues shall not include (i) any Contributed Equity or (ii) any revenue or receipt realized by the Partnership incident to the liquidation of the Partnership.

1.88 "Rules" has the meaning set forth in Section 21.1.

1.89 "Withdrawal Payment" has the meaning set forth in Section 16.2.

ARTICLE II
Formation of the Partnership

2.1 Formation of Limited Partnership. The Partners have formed a limited partnership pursuant to and in accordance with the provisions of the Act. The General Partner has filed, on behalf of the Partnership, a certificate of limited partnership with the office of the Secretary of State of Delaware, effective as of September 3, 2002. All references to sections of the Act include any corresponding provision or provisions of any such successor statute.

2.2 Name. The name of the Partnership is Freeport LNG Development, L.P. The General Partner may, in its sole discretion, change the name of the Partnership from time to time and shall give prompt written notice thereof to the Limited Partners; provided, however, that such name may not contain any portion of the name or mark of any Limited Partner without such Limited Partner's consent. In any such event, the General Partner shall promptly file in the office of the Secretary of State of Delaware an amendment to the Partnership's certificate of limited partnership reflecting such change of name.

2.3 Character of Business. The purposes of the Partnership shall be to develop, build, own and operate a liquefied natural gas ("LNG") receiving and regasification facility on Quintana Island in or around Freeport, Texas (the "Business") and any and all activities necessary or incidental to the foregoing; provided, however, that under no circumstances shall the Partnership engage in any trading, hedging, futures activities, or any other derivative transactions relating to the buying and selling of natural gas (including LNG) that would expose the Partnership to commodity price fluctuations (but this shall not preclude the Partnership from taking custody of natural gas in connection with the normal operation of the Business for the purpose of processing such natural but which does not expose the Partnership to commodity price fluctuations).

2.4 Registered Office and Agent. The name and address of the Partnership's initial registered agent and registered office is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The Partnership's initial office and principal place of business shall be 1200 Smith, Suite 600, Houston, Texas 77002. The General Partner may change such registered agent, registered office, or principal place of business from time to

time. The General Partner shall give prompt written notice of any such change to each Limited Partner. The Partnership may from time to time have such other place or places of business as may be determined by the General Partner.

2.5 Other Filing. The General Partner shall file, from time to time, such limited partnership certificates, certificates of amendment, certificates of cancellation, or other certificates, consents to and appointments of agents for service of process, as the General Partner deems necessary under the Act or under the laws of any jurisdiction in which the Partnership is doing business to establish and continue the Partnership as a limited partnership, to conduct its activities, or to protect the limited liability of the Partners. The General Partner shall file, from time to time, such fictitious or tradename statements or certificates in such jurisdictions and offices as the General Partner considers necessary or appropriate.

2.6 Term and Fiscal Year. The existence of the Partnership shall be perpetual, unless dissolved as hereinafter provided. The fiscal year of the Partnership shall end on December 31 of each calendar year unless, for United States federal income tax purposes, another fiscal year is required. The Partnership shall have the same fiscal year for United States federal income tax purposes and for accounting purposes.

ARTICLE III
Capital/Percentage Interests/Future Financing

3.1 Capital Contributions; Use of Funds. The parties agree that pursuant to the terms of the Contribution Agreement, (i) Cheniere shall contribute all of the Contributed Assets (as defined in the Contribution Agreement) to the Partnership ("Cheniere Closing Date Contribution") on the Closing Date, (ii) LNG Investments shall contribute an amount equal to $1,000,000 plus the LNG Investments Expenses to the Partnership ("LNG Investments Closing Date Contribution"), and (iii) LNG Investments shall make the additional contributions set forth in Section 3.4(b). The Partners hereby agree that immediately following the Cheniere Closing Date Contribution, the General Partner shall distribute $1,000,000 to Cheniere ("Cheniere Closing Date Distribution"). The initial contribution amounts for the Partners shall be $14,333,333 for Cheniere ("Cheniere Initial Equity Amount"), $1,000,000 for LNG

Investments ("LNG Investments Initial Equity Amount") and $0 for Freeport GP. The Partners agree that the $5,000,000 to be received by Cheniere pursuant to Sections 5.1 and 5.3 shall constitute a deemed sale to the Partnership of a portion of the Contributed Assets, and therefore Cheniere's initial Capital Account balance shall equal $9,333,333. In the event that any additional capital is required by the Partnership, it shall be obtained by the Partnership pursuant to the terms of Section 3.4.

3.2 Percentage Interests.

As of the Closing Date, the Partners shall be assigned Percentage Interests as follows:

Partners	Percentage Interest
LNG Investments	60%
Cheniere	40%
Freeport GP	0%

The above Percentage Interests shall be subject to adjustment pursuant to Section 3.5, but shall not be adjusted by contributions made by LNG Investments pursuant to Section 3.4(b).

3.3 Future Financing.

The Partners anticipate that in the future the Partnership may require additional funds for capital expenditures or working capital requirements, and any such additional funding shall be obtained from any of the following sources as may be approved in advance by the General Partner; provided, however, that in the case of (b), any loans incurred by the Partnership prior to the Partnership obtaining final FERC approval of its filings with respect to the Project shall only encumber and/or be paid from the Interest of LNG Investments; provided, further, that in the case of (c) below, the Partnership shall only pursue such source of funds after the earlier to occur of (i) LNG Investments (including any transferees and assignees of its Percentage Interests) contributing $9,000,000 (plus any Returned Amount) pursuant to Section 3.4(a), and (ii) the Partnership obtaining final FERC approval of its filing with respect to the Project:

(a) cash reserves of the Partnership;

(b) loans to be obtained from banks and other non-Affiliate independent sources;

(c) Additional Contributed Equity made to the Partnership by the Partners, in proportion to their Percentage Interests, in amounts determined according to Section 3.4 of this Agreement;

(d) subject to Section 10.2, loans to be made to the Partnership by (i) the Partners and/or (ii) an Affiliate of one of the Partners; or

(e) subject to Section 10.2, any other funding source to be determined by the General Partner.

3.4 Additional Contributed Equity.

(a) On the Closing Date, LNG Investments shall contribute to the Partnership that portion of the LNG Investments Expenses that have not already been paid to Cheniere, its Affiliates or any third party. LNG Investments shall be deemed to have contributed to the Partnership that portion of the LNG Investments Expenses that have already been paid to Cheniere, its Affiliates or any third party. In the event that the Partnership shall require funds in excess of those available to the Partnership from operations, the General Partner may call for additional capital contributions to be contributed to the Partnership pursuant to the terms of this Section 3.4 ("Additional Contributed Equity"). Further, any Partner may give written notice to the General Partner that such Partner believes that the Partnership requires funds in excess of those available to the Partnership from operations to pay reasonable and necessary expenses of the Partnership. In either such event, if the General Partner determines the Partnership requires such excess funds, the General Partner shall give written notice to the other Partners of (i) the purpose for which such Additional Contributed Equity is required, (ii) the date on which the Additional Contributed Equity is due to the Partnership, which date (the "Contribution Date") shall not be less than fifteen (15) nor more than forty-five (45) days following the date of such notice and (iii) the amount of Additional Contributed Equity due from each Partner, which amount shall be based on such Partner's Percentage Interest. In the event of a call for Additional Contributed Equity that is not expressly contemplated in the Budget, (A) the General Partner shall give written notice to the other Partners of (i) the purpose for which such Additional Contributed Equity is required, (ii) the Contribution Date, which date shall not be less than ninety (90) nor more than one hundred twenty (120) days following the date of such notice, and (iii) the amount of Additional

Contributed Equity due from each Partner, which amount shall be based

on such Partner's Percentage Interest and (B) the terms of Section 3.4(c) shall apply. Notwithstanding any other provision of this Agreement or this Section 3.4, the first $9,000,000 of Additional Contributed Equity plus the Returned Amount shall be contributed solely by LNG Investments (including any transferees and assignees of any portion of LNG Investments' Interest), which contribution shall not alter the Percentage Interests and provided further that (x) neither the $1 million contribution by LNG Investments pursuant to Section 3.1 nor any contributions by LNG Investments pursuant to Section 3.4(b) shall be counted toward this $9,000,000, (y) no amount subsequently used for an Affiliate Payment shall be counted toward this $9,000,000 and (z) such $9,000,000 shall be reduced by the amount of the LNG Investments Expenses. On or before the Contribution Date, each Partner shall pay to the Partnership the amount due from such Partner in immediately available funds. It is acknowledged by the parties that the Partnership may need additional funds following the Closing Date and that the General Partner may be required to call for Additional Contributed Equity.

(b) Notwithstanding the foregoing, LNG Investments shall contribute the following amounts (which amounts shall not constitute Additional Contributed Equity):

(i) On July 15, 2003 (the "Second Payment Date"), $750,000 in cash less any amounts previously distributed to Cheniere pursuant to Section 5.1 (the "Second Payment");

(ii) On October 15, 2003 (the "Third Payment Date"), $750,000 in cash less any amounts previously paid to Cheniere after the Second Payment Date and prior to the Third Payment Date pursuant to Section 5.1 (the "Third Payment"); and

(iii) Within 30 days of Project Approval (the "Final Payment Date", and together with the Second Payment Date and the Third Payment Date, the "Payment Dates"), $2,500,000 in cash less any amounts previously paid to Cheniere after the Third Payment Date and prior to the Final Payment Date pursuant to Section 5.1 (the "Final Payment").

(c) Notwithstanding anything to the contrary contained in this Section 3.4 or Section 3.5, if the General Partner calls for Additional Contributed Equity that is not expressly contemplated in the Budget and the General Partner determines, in its reasonable business judgment, that the Partnership requires such funds prior to the Contribution Date, the General Partner shall provide notice to the other Partners of such earlier need for funds and the date by which such funds are required (the "Early Contribution Date"). If any Partner meets such capital call on the Early Contribution Date, the remaining Partners shall have until the Contribution Date to contribute the required Additional Contributed Equity; provided, that the amount of such required contribution shall accrue interest at the rate of 25% per annum from the Early Contribution Date through the date that such other Partners make the required contributions. In addition, if such other Partners fail to make any required contribution (together with all accrued interest) by the Contribution Date, such Partner shall be deemed a Delinquent Partner subject to Section 3.5.

3.5 Delinquent Contributions. If a Partner fails to contribute any Additional Contributed Equity required pursuant to Section 3.4 (a "Delinquent Partner") by the Contribution Date, any other Partner (other than an Affiliate of the Delinquent Partner) which is not a Delinquent Partner (a "Contributing Partner") may, but shall not be required, to contribute the portion of such Additional Contributed Equity that the Delinquent Partner failed to contribute (the "Delinquent Contribution"). If the Contributing Partner makes a contribution in the amount of the

Delinquent Contribution, the Delinquent Partner's Percentage Interest shall be reduced to an amount equal to (A) the aggregate amount of Contributed Equity by all Partners (determined immediately prior to the Delinquent Contribution) multiplied by (B) the Delinquent Partner's Percentage Interest, and (C) 0.9, divided by (D) the aggregate amount of Contributed Equity by all Partners (including the contribution of the Delinquent Loan), and then multiplied by (E) 100, and the Percentage Interest of the Contributing Partner who made the Delinquent Contribution shall be increased proportionately. In the event a Partner fails to contribute any Additional Contributed Equity required pursuant to Section 3.4 on more than one occasion, such Delinquent Partner shall thereafter have no voting or approval rights under this Agreement (including but not limited to the approval rights under Section 10.2) except the right to approve or vote on amendments to this Agreement but only to the extent any such amendment would effect the distributions or allocations to such Limited Partner or its limited liability as a Limited Partner; provided that for the purposes of the preceding provisions of this sentence the MS Entities shall be considered on a collective basis.

3.6 Post-Project Approval Equity. Upon obtaining approval of the Project from FERC, the General Partner shall prepare and distribute to the Partners a budget for the operating and construction expenses related to the Project during the period ending upon the completion of the construction of the facility on Quintana Island (the "Construction Period"). The General Partner shall have the right, power and obligation to do all things necessary to obtain debt and/or equity financing to satisfy all of the Partnership's capital or funding needs during the Construction Period. The General Partner will notify each Partner of the terms of any such financing at least twenty (20) days prior to the consummation of any transaction. Any equity financing obtained by the Partnership shall dilute each of the Limited Partners pro rata based on the Percentage Interests of such Limited Partners. Any Construction Period financing shall be provided by third-parties that are not Affiliates of the General Partner or any Limited Partner.

3.7 No Further Contributed Equity. Except as expressly provided in this Agreement and the Contribution Agreement or with the prior written consent of all Partners, no Partner shall be required or entitled to contribute any other or further capital to the Partnership, nor shall any Partner be required or entitled to loan any funds to the Partnership. No Partner will have any obligation to restore any negative balance in its Capital Account upon liquidation or dissolution of the Partnership.

3.8 Return of Capital. Except as herein provided with respect to distributions during the term of the Partnership or following dissolution, no Partner has the right to demand a return of such Partners' Contributed Equity (or the balance of such Partner's Capital Account). Further, no Partner has the right (i) to demand and receive any distribution from the Partnership in any form other than cash or (ii) to bring an action of partition against the Partnership or the Partnership Assets. No Partner shall be entitled to or shall receive interest on such Partner's Contributed Equity. No Partner may withdraw any capital from the capital of the Partnership except as expressly provided herein or under the Act. No Partner shall have any priority over any other Partner with respect to the return of any Contributed Equity, except as expressly provided herein.

3.9 Benefit of Obligations. Any obligation of the Partners to make capital contributions to the Partnership shall not inure to the benefit of any Person other than the Partnership and the Partners.

ARTICLE IV
Capital Accounts, Allocations, and Tax Matters

4.1 Capital Accounts. A separate Capital Account will be maintained for each Partner in accordance with Section 1.704-1(b)(2)(iv) of the Regulations; provided, however, that the initial Capital Accounts for each Partner shall be equal to such Partners' Initial Equity Amount (adjusted as provided in Section 3.1). Consistent therewith, the Capital Account of each Partner will be determined and adjusted as follows:

(a) Each Partner's Capital Account will be credited with:

(1) Any contributions of cash made by such Partner to the capital of the Partnership plus the Asset Value of any property contributed by such Partner to the capital of the Partnership (net of any liabilities to which such property is subject or which are assumed by the Partnership), including, without limitation any contributions made pursuant to Section 3.4;

(2) The Partner's distributive share of Profit and items thereof allocated to such Partner; and

(3) Any other increases required by Section 1.704-1(b)(2)(iv) of the Regulations.

(b) Each Partner's Capital Account will be debited with:

(1) Any distributions of cash made from the Partnership to such Partner plus the Asset Value of any property distributed in kind to such Partner (net of any liabilities to which such property is subject or which are assumed by such Partner);

(2) The Partner's distributive share of Loss and items thereof allocated to such Partner; and

(3) Any other decreases required by Section 1.704-1(b)(2)(iv) of the Regulations.

The provisions of this Section 4.1 relating to the maintenance of Capital Accounts have been included in this Agreement to comply with Section 704(b) of the I.R.C. and the Regulations promulgated thereunder and will be interpreted

and applied in a manner consistent with those provisions. For the purposes of maintaining Capital Accounts, it is agreed that the Asset Value of the Partnership Assets shall be reflected at their gross fair market values on the Closing Date. Notwithstanding anything to the contrary in the preceding provisions of this Section 4.1, in no event shall any change, modification or other event resulting from such provisions modify the distributions provided in Article V.

4.2 Allocation of Profit and Loss.

(a) Profit. Subject to the special allocation provisions of Sections 4.3, 4.4, 4.5 and 4.6 of this Agreement, the Profits for any Fiscal Year (or portion thereof) shall be allocated to the Partners, (i) first, to each Partner to the extent that and in proportion to which they were allocated losses under Sections 4.2(b) or 4.3 below, then (ii) pro rata, in accordance with their Percentage Interests.

(b) Loss. Subject to the special allocation provisions of Section 4.3 of this Agreement, the Losses for any Fiscal Year (or portion thereof) shall be allocated as follows:

(i) First, to LNG Investments, until its Adjusted Capital Account Balances is reduced to zero;

(ii) Second, to Cheniere, until its Adjusted Capital Account Balances is reduced to zero; and

(iii) Thereafter, to the General Partner.

4.3 Special Allocations.

(a) Minimum Gain Chargeback. Notwithstanding any other provision of this Article IV, if there is a net decrease in Partnership Minimum Gain during any Fiscal Year, then each Partner shall be allocated such amount of income and gain for such year (and subsequent years, if necessary) determined under and in the manner required by Sections 1.704-2(f) and (g) of the Regulations as is necessary to meet the requirements for a chargeback of Partnership Minimum Gain as provided in that Regulation.

(b) Partner Recourse Debt Minimum Gain Chargeback. Notwithstanding any other provision of this Article IV except Section 4.3(a), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain attributable to a Partner Nonrecourse Debt during any Fiscal Year, any Partner who has a share of the Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt determined in accordance with Section 1.704-2(i)(5) of the Regulations, shall be allocated such amount of income and gain for such year (and subsequent years, if necessary) determined under and in the manner required by Section 1.704-2(i)(4) of the Regulations as is necessary to meet the requirements for a chargeback of Partner Nonrecourse Debt Minimum Gain as is provided in that Regulation.

(c) Qualified Income Offset. If a Partner unexpectedly receives any adjustment. allocation or distribution described in Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) of the Regulations, items of Partnership income and gain shall be specifically allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, any deficit in the Adjusted Capital Account Balance of such Partner as quickly as possible, provided that an allocation pursuant to this Subsection (c) shall be made only if and to the extent that such Partner would have a deficit in the Adjusted Capital Account Balance after all other allocations provided for in Section 4.2 and this Section 4.3 of this Agreement tentatively have been made as if this Subsection (c) were not in this Agreement.

(d) Limitation on Allocation of Loss. Notwithstanding anything else contained in this Agreement, Loss allocated to any Limited Partner pursuant to Section 4.2 of this Agreement shall not exceed the maximum amount of Loss that may be allocated without causing such Partner to have a deficit in the Adjusted Capital Account Balance of such Partner at the end of the Fiscal Year for which the allocation is made.

(e) I.R.C. Section 754 Election. To the extent that an adjustment to the Basis of any asset pursuant to I.R.C. Section 734(b) or I.R.C. Section 743(b) is required to be taken into account in determining Capital Accounts as provided in Section 1.704-1(b)(2)(iv)(m) of the Regulations, the adjustment shall be treated (if an increase) as an item of gain or (if a decrease)

as an item of loss, and such gain or loss shall be allocated to the Partners consistent with the allocation of the adjustment pursuant to such Regulation.

(f) Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year shall be allocated among the Partners in proportion to their Percentage Interests.

(g) Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions shall be allocated pursuant to Section 1.704-2(i) of the Regulations to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which they are attributable.

(h) Purpose and Application. The purpose and the intent of the special allocations provided for in this Section 4.3 are to comply with the provisions of Sections 1.704-1(b) and 1.704-2 of the Regulations, and such special allocations are to be made so as to accomplish that result. However, to the extent possible, the General Partner in allocating items of income, gain, loss, or deduction among the Partners, shall take into account the special allocations in such a manner that the net amount of allocations to each Partner shall be the same as such Partner's distributive share of Profit and Loss would have been had the events requiring the special allocations not taken place. The General Partner shall apply the provisions of this Section 4.3 in whatever order the General Partner with the approval of the Limited Partners reasonably believes will minimize any economic distortion that otherwise might result from the application of the special allocations.

(i) Gross Income Allocation. During the period from the Effective Date through the date of Project Approval, notwithstanding any other provision of this Agreement (other than paragraphs 4.3(a) through 4.3(h) above and Section 4.6), before any other allocation is made under this Agreement, LNG Investments shall be allocated items of Partnership gross income and gains for such Fiscal Year (and if necessary, for future years) until the cumulative total allocations under this paragraph 4.3(i) equal the gross income of the Partnership from the sale of Capacity Reservations. Moreover, following the Effective Date and notwithstanding any other provision of this Agreement (other than paragraphs 4.3(a) through 4.3(h) above and Section 4.6), before any other allocation is made under this Agreement, LNG Investments shall be allocated items of Partnership gross income for such Fiscal Year that arise from the forgiveness or cancellation of any loan or debt that is an obligation of the Partnership and that is given simultaneously or in connection with the sale of any Capacity Reservations to the extent that any gross income arising from such forgiveness or cancellation is not already allocated to LNG Investments pursuant to any of paragraphs 4.3(a) through 4.3(h) above and Section 4.6.

(a) Special Allocation of pre-Project Approval Deductions. Notwithstanding any other provision of this Agreement (other than Sections 4.3(a) through (h) above and Section 4.6), all deductions of the Partnership from its date of formation until the date of Project Approval shall be allocated to the Partners in the amounts and to the extent available to cause the Partners' respective Capital Account balances to equal the proceeds distributed under Section 5.4 in the event of a dissolution of the Partnership prior to the date of Project Approval.

4.4 I.R.C. Section 704(c) Tax Allocation. Except as otherwise provided in Section 4.7, solely for tax purposes, and in accordance with I.R.C. Section 704(c), income, gain, loss, and deductions with respect to property contributed to the Partnership by a Partner shall be shared

among the Partners so as to take account of the variation between the adjusted basis of the property to the Partnership for federal income tax purposes and its fair market value at the time of its contribution. If the value of any property of the Partnership reflected in the Partners' Capital Accounts is adjusted pursuant to Section 4.1(a)(3) or (b)(3), thereafter, allocations of depreciation. depletion, amortization and gain or loss with respect to such property shall be determined so as to take into account the variation between the adjusted tax basis and the adjusted value of such property as reflected in the Partners' Capital Accounts in the same manner as under I.R.C. Section 704(c). The Partners agree that the General Partner shall choose the method under I.R.C. Section 704(c) to address the variation between the adjusted tax basis and adjusted values of the Partnership Assets on the Closing Date and that the Partnership shall elect to use the method chosen by the General Partner; provided, that Cheniere's consent shall be required to elect the remedial allocation method described in Section 1.704-3(d)(1) of the Regulations.

4.5 Special Allocations Regarding Payments to Affiliates. To the extent that compensation paid to an Affiliate of one or more Partners by the Partnership ultimately is determined not to be a payment to a third party, a payment to a manager other than in its capacity as such under I.R.C. Section 707(a), or a guaranteed payment under I.R.C. Section 707(c), such Partner or Partners shall be specially allocated gross income of the Partnership in an amount equal to the amount of such compensation, and such Partner or Partners' Capital Account shall be adjusted to reflect the above special allocation and to reflect the payment of such compensation as if it were a distribution. If the Partnership's gross income for a Fiscal Year is less than the amount of such compensation paid in such year, such Partner or Partners shall be specially

allocated gross income of the Partnership in the succeeding year or years until the total amount so allocated equals the total amount of such compensation.

4.6 Allocation of Gains and Losses upon Liquidation. Except to the extent provided in Sections 4.3 and 4.4, gains and losses recognized by the Partnership upon the sale, exchange or other disposition of all or substantially all of the property owned by the Partnership shall be allocated in the following manner:

(a) Gains shall be allocated (i) first, to the Partners with negative Capital Account balances, that portion of gains (including any gains treated as ordinary income for federal income tax purposes) which is equal in amount to, and in proportion to, such Partners' respective negative Capital Account balances; provided that no gain shall be allocated under this Section 4.6(a)(i) to a Partner once such Partner's Capital Account balance is brought to zero and (ii), second, (A) in the event of a dissolution of the Partnership before the date of Project Approval, gains in excess of the amount allocated under (i) shall be allocated in the amounts and to the extent available to cause the Partners' respective Capital Account balances to equal the proceeds distributed under Section 5.4, or (B) in the event of a dissolution of the Partnership after the date of Project Approval, gains in excess of the amount allocated under (i) shall be allocated to the Partners in the amounts and to the extent available to cause the Partners' respective Capital Account balances to be in the same proportion as the Partners' respective Percentage Interests.

(b) Losses shall be allocated, (i) first, (A) in the event of a dissolution of the Partnership before the date of Project Approval, to the Partners in the amounts and to the extent available to cause the Partners' respective positive Capital Account balances to equal the proceeds distributed under Section 5.4, or (B) in the event of a dissolution of the Partnership after the date of Project Approval to the Partners in the amounts and to the extent available to cause the Partners' respective Capital Account balances to be in the same

proportion as the Partners' respective Percentage Interests and (ii) second, any remaining loss to the Partners in accordance with the manner in which they bear the economic risk of loss associated with such loss or, if none, to the Partners in accordance with their Percentage Interests.

4.7 Deemed Sale.(a) The Partners agree that the contribution of its Initial and Additional Capital Contributions followed by distribution to Cheniere of up to $5,000,000 shall result in a deemed sale of a portion of the assets contributed by Cheniere as reasonably determined by the General Partner, and such assets shall be treated as property acquired by the Partnership with a basis determined under Section 10.12 of the Code.

4.8 Allocation for GAAP and Financial Reporting. The Partners agree that Profits and Losses for any Fiscal Year shall be allocated to the Partners for financial reporting purposes pro rata in accordance with their Percentage Interests.

ARTICLE V
Distributions

5.1 Special Distributions of Capacity Reservation Funds. (a) Notwithstanding any other distribution provision to the contrary, prior to any distribution pursuant to Sections 5.2 or 5.4, if prior to the Final Payment Date the Partnership sells any Capacity Reservations and receives cash consideration therefore and/or the proceeds from loans from purchasers of such Capacity Reservations or such purchaser's Affiliate, the Partnership shall distribute to Cheniere, as a prepayment of amounts that would otherwise be contributed by LNG Investments to the Partnership and promptly distributed to Cheniere pursuant to Section 5.3, 25% of the cash received for such Capacity Reservation and/or the proceeds of such loans (each, a "Capacity Distribution"); provided, however, that if, and when, LNG Investments and its transferees and assigns makes the Second Payment or Third Payment, no subsequent Capacity Distributions shall be made by the Partnership until such time as the aggregate amount of such Capacity Distribution obligations that would otherwise be payable to Cheniere exceeds the Second Payment, and/or Third Payment, as the case may be. Any Capacity Distributions made by the Partnership prior to the applicable Payment Date shall reduce the obligation of LNG Investments to make the ensuing Second Payment, Third Payment or Final Payment, as the case may be, and the ensuing obligation of the Partnership to make the corresponding distribution pursuant to Section 5.3. The Partnership's Capacity Distribution obligation to Cheniere shall terminate upon the Final Payment Date after Cheniere has received aggregate distributions pursuant to Section 5.3 and Capacity Distributions equal to $5.0 million. In no event (whether pursuant to Section 5.1 or Section 5.3) shall Cheniere be entitled to receive an aggregate amount pursuant to Section 5.1 or Section 5.3 in excess of $5.0 million.

(b) Any cash received by the Partnership from sales of any Capacity Reservations and/or the proceeds from loans from purchasers of such Capacity

Reservations or such purchaser's Affiliate prior to Project Approval, after payment of all Capacity Distributions to Cheniere under Section 5.1(a), shall be paid, held or distributed in the following order of priority:

(i) first, to LNG Investments with respect to each Fiscal Year of the Partnership an amount equal to 44% of the taxable income allocated to LNG Investments pursuant to Section 4.3(i) of this Agreement for such Fiscal Year (less any Losses allocated to LNG Investments from prior Fiscal Years not previously taken into account under this Section 5.1(b)(i));

(ii) second, an amount shall be set aside equal to all current Project expenses plus future Project expenses reasonably anticipated through Project Approval by FERC;

(iii) third, an amount shall be distributed to LNG Investments (and Cheniere, if applicable) equal to the sum of all additional capital contributions made by LNG Investments (or Cheniere, if applicable) to the Partnership pursuant to Section 3.4(a);

(iv) fourth, an amount shall be distributed to LNG Investments equal to the sum of any Second Payment, Third Payment or Final Payment made by LNG Investments to the Partnership pursuant to Section 3.4(b); and

(v) the excess, if any, shall be retained by the Partnership for capital reserves or distributed, at the discretion of the General Partner, pro rata to the Partners in accordance with their Percentage Interests.

Any amounts distributed to LNG Investments pursuant to Section 5.1(b)(iii) and (iv) (the "Returned Amount") shall be added to LNG Investments' required capital contribution under Section 3.4 and LNG Investments will contribute such capital to the Partnership prior to the General Partner making any other capital call pursuant to Section 3.4.

5.2 Distributions of Net Cash Flow. Except as provided in Sections 5.1, 5.3 and 5.4, the Partnership shall, to the extent available and to the extent such funds are not necessary for future working capital and operating and development Expenses of the Partnership, as determined by the General Partner in its sole discretion, make distributions of Net Cash Flow on a quarterly basis to the Partners, pro rata, in accordance with their Percentage Interests.

5.3 Distributions of Section 3.4(b) Contributions. The Partnership shall promptly distribute any and all contributions made by LNG Investments pursuant to Section 3.4(b) to Cheniere as such payments are made to the Partnership by LNG Investments.

5.4 Distributions in Liquidation. Subject to the provisions of Article XX, upon the dissolution and winding-up of the Partnership, the proceeds of sale and other assets of the Partnership shall be distributed, not later than the latest time specified for such distributions pursuant to Section 1.704-1(b)(2)(ii)(b)(2) of the Regulations, to the Partners, pro rata, in accordance with their positive Capital Account balances; provided, however, that in the event of the dissolution of the Partnership at any time prior to Project Approval, the proceeds of sale and other assets of the Partnership shall be distributed to the Partners in accordance with their Percentage Interests; and provided, further, that in addition to the proceeds attributable to its Percentage Interest, LNG Investments shall receive, from the portion of the proceeds otherwise distributable to Cheniere based on its Percentage Interest, an amount equal to the sum of the Cheniere Closing Date Distribution plus any Second Payment, Third Payment or Final Payment made by LNG Investments to the Partnership pursuant to Sections 2.2(a) and 3.1. With the unanimous approval of all of the Partners, a pro rata portion of the distributions that would otherwise be made to the Partners under the preceding sentence may be distributed to a trust established for the benefit of the Partners for the purposes of liquidating Partnership Assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership arising out of or in connection with the Partnership. The assets of any trust established under this Section 5.4 will be distributed to the Partners from time to time by the trustee of the trust upon approval of the Partners in the same proportions as the

amount distributed to the trust by the Partnership would otherwise have been distributed to the Partners under this Agreement.

ARTICLE VI
Representations and Warranties of the Partners

6.1 In General. As of the date hereof, each of the Partners hereby makes each of the representations and warranties applicable to such Partner as set forth in Section 6.2 hereof, and such warranties and representations shall

survive the execution of this Agreement.

6.2 Representations and Warranties. Each Partner hereby represents and warrants that:

(a) Due Incorporation or Formation; Authorization of Agreement. If such Partner is a limited liability company, corporation or a partnership, it is duly organized or duly formed, validly existing, and in good standing under the laws of the jurisdiction of its incorporation or formation and has the company, corporate or partnership power and authority to own its property and carry on its business as owned and carried on at the date hereof and as contemplated hereby. Such Partner is duly licensed or qualified to do business and in good standing in each of the jurisdictions in which the failure to be so licensed or qualified would have a Material Adverse Effect on its financial condition or its ability to perform its obligations hereunder. Such Partner has the company, corporate, or partnership power and authority to execute and deliver this Agreement and to perform its obligations hereunder and the execution, delivery, and performance of this Agreement has been duly authorized by all necessary company corporate or partnership action. This Agreement constitutes the legal, valid, and binding obligation of such Partner subject to applicable bankruptcy and similar laws affecting creditors' rights generally.

(b) No Conflict With Restrictions, No Default. Neither the execution, delivery, and performance of this Agreement nor the consummation by such Partner of the transactions contemplated hereby (i) will conflict with, violate, or result in a breach of any of the terms, conditions, or provisions of any law, regulation, order, writ, injunction, decree, determination, or award of any court, any governmental department, board, agency, or instrumentality, domestic or foreign, or any arbitrator, applicable to such Partner or any of its Affiliates, (ii) will conflict with, violate, result in a breach of, or constitute a default under any of the terms, conditions, or provisions of the articles of incorporation, certificate of formation, by-laws, limited liability company agreement, or partnership agreement of such Partner or any of its Affiliates, if such Partner is a limited liability company, corporation or partnership, or of any material agreement or instrument to which such Partner or any of its Affiliates is a party or by which such Partner or any of its Affiliates is or may be bound or to which any of its material properties or assets is subject, (iii) will conflict with, violate, result in a breach of, constitute a default under (whether with notice or lapse of time or both), accelerate or permit the acceleration of the performance required by, give to others any material interests or rights, or require any consent, authorization, or approval under any indenture, mortgage, lease agreement, or instrument to which such Partner or any of its Affiliates is a party or by which such Partner or any of its Affiliates is or may be bound, or (iv) will result in the creation or imposition of any lien upon any of the material properties or assets of such Partner or any of its Affiliates.

(c) Governmental Authorizations. Any registration, declaration or filing with or consent, approval, license, permit or other authorization or order by, any governmental or regulatory authority, domestic or foreign, that is required in connection with the valid execution, delivery, acceptance, and performance by such Partner under this Agreement or the

consummation by such Partner of any transaction contemplated hereby has been completed, made, or obtained on or before the effective date of this Agreement.

(d) Litigation. There are no actions, suits, proceedings, or investigations pending or, to the knowledge of such Partner or any of its Affiliates, threatened against such Partner or any of its Affiliates or affecting any of their properties, assets, or businesses in any court or before or by any governmental department, board, agency, or instrumentality, domestic or foreign, or any arbitrator which could (or, in the case of an investigation could lead to any action, suit, or proceeding, which could) reasonably be expected to materially impair such Partner's ability to perform its obligations under this Agreement or to have a Material Adverse Effect on the consolidated financial condition of such Partner; and such Partner or any of its Affiliates has not received any currently effective notice of any default, and such Partner or any of its Affiliates is not in default, under any applicable order, writ, injunction, decree, permit, determination, or award of any court, any governmental department, board, agency, or instrumentality, domestic or foreign, or any arbitrator which could reasonably be expected to materially impair such Partner's ability to perform its obligations under this Agreement or to have a Material Adverse Effect on the consolidated financial condition of such Partner.

(e) Investigation. Such Partner is acquiring its interest in the Partnership based upon its own investigation, and the exercise by such Partner of its rights and the performance of its obligations under this Agreement will be based upon its own investigation, analysis, and expertise. Such Partner's acquisition of its interest in the Partnership is being made for its own account for investment, and not with a view to the sale or distribution thereof.

(f) Investment Representations.

(i) The Interest in the Partnership subscribed for hereby are being acquired by such Partner for such Partner's own account and for investment purposes only and not with a view to any resale or distribution thereof, in whole or in part, to others, and such Partner is not participating, directly or indirectly, in a distribution of such Interests and will not take, or cause to be taken, any action that would cause such Partner to be deemed an "underwriter" of such Interests as defined in Section 2(11) of the Securities Act of 1933, as amended.

(ii) Such Partner has had access to all materials, books, records, documents, and information relating to the Partnership and has been able to verify the accuracy of, and to supplement, the information contained therein.

(iii) Such Partner has had an opportunity to ask questions of, and receive satisfactory answers from, representatives of the Partnership concerning the terms and conditions pursuant to which the offering of Interests is being made and all material aspects of the Partnership and its proposed business, and any request for such information has been fully complied with to the extent the Partnership possesses such information or can acquire it without unreasonable effort or expense.

(iv) Such Partner is an "accredited investor" within the meaning of Rule 501 of the Securities Act of 1933, as amended.

(v) Such Partner is an investor who has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Partnership based upon (i) the information furnished by the Partnership;

(ii) such Partner's personal knowledge of the business and affairs of the Partnership; (iii) the records, files, and plans of the Partnership to all of such Partner has had full access; (iv) such additional information as such Partner may have requested and has received from the Partnership; and (v) the independent inquiries and investigations undertaken by such Partner.

(vi) No person has made any direct or indirect representation or warranty of any kind to such Partner with respect to the economic return which may accrue to such Partner. Such Partner has consulted with his, her or its own advisors with respect to an investment in the Partnership.

(vii) All information, representations, and warranties contained herein or otherwise given or made to the Partnership by such Partner in any other written statement or document delivered in connection with the transactions contemplated hereby are correct and complete as of the date of this Agreement and may be relied upon by the Partnership, and, if there should be any material change in such information prior to the such Partner's execution of this Agreement, such Partner will immediately furnish such revised or corrected information to the Partnership.

(g) Crest Agreement. Each Partner acknowledges that (i) it has received and reviewed a copy of the Settlement and Purchase Agreement by and among Cheniere Energy, Inc., CXY Corporation, Crest Energy, L.L.C., Crest Investment Company and Freeport LNG Terminal, LLC dated as of June 14, 2001 (the "Crest Agreement"), (ii) the Partnership shall be obligated only to pay the Royalty (as defined in the Crest Agreement) solely with respect to the Project and (iii) Cheniere shall be responsible for all other payments and obligations owing to Crest, if any, under the Crest Agreement.

6.3 Representations and Warranties of General Partner and LNG Investments. As of the date hereof, the General Partner and LNG Investments jointly and severally represent and warrant that:

(a) Due Organization and Authority. The Partnership is duly organized and validly existing under the laws of Delaware. The Partnership has delivered to Cheniere a true and correct copy of the Certificate of Limited Partnership.

(b) Expenses. As of the Closing Date, other than (i) the Lease Agreement, (ii) the LNG Investments Expenses and (iii) obligations which an entity in this industry would have ordinarily incurred at this stage in its development, the Partnership has incurred no obligations or expenses, including obligation for borrowed money.

ARTICLE VII
Rights and Obligations of Partners

7.1 Limited Liability. No Limited Partner shall be personally liable for

any debts, liabilities, or obligations of the Partnership; provided that each Partner shall be responsible (i) for the making of any capital contributions required to be made to the Partnership by such Partner pursuant to the terms hereof and (ii) for the amount of any distribution made to such Partner that must be returned to the Partnership pursuant to the terms hereof or the Act.

7.2 Liability of a Partner to the Partnership. When a Partner has received a distribution made by the Partnership in violation of this Agreement or the Act, the Partner is liable to the

Partnership for a period of three years after such a prohibited distribution for the amount of the distribution.

7.3 Exculpation. Unless expressly agreed to in writing by such Person, no shareholder, general or limited partner, member or holder of any equity interest in any Partner or manager, officer, director or employee of any of the foregoing, shall be personally liable for the performance of any such Partner's obligations under this Agreement, but the foregoing shall not relieve any shareholder, partner, member, holder of an equity interest, manager, officer, director or employee of any Partner of its obligations to such Partner.

7.4 Participation in Management. No Limited Partner, as such, shall take any part in the management and control of the Business of the Partnership nor shall any Limited Partner, by reason of its status as such, have any right to transact any business for the Partnership or any authority or power to sign for or bind the Partnership. Notwithstanding the foregoing, Limited Partners shall have the right to approve or disapprove or otherwise consent or withhold consent with respect to such matters as are specified in this Agreement or the Act.

7.5 Survival of Obligations. Dissolution of the Partnership shall not release any party from any liability which at the time of dissolution or termination has already accrued to any party, nor affect in any way the survival of the rights, duties, and obligations of any party provided for in Articles VI, VII, and IX of this Agreement.

7.6 Covenant of Non-Competition and Non-Solicitation.

(a) Cheniere. Until the earliest of (i) December 19, 2003, (ii) the date that the Partnership has received permitting approval from FERC for the Project or (iii) such time as LNG Investments withdraws from the Partnership, Cheniere shall make no filings with FERC for the development of any other LNG receiving and regasification facility; provided, that the Partnership agrees to use all commercially reasonable efforts to timely make the FERC filings with respect to the Project. Until the earliest of (i) December 19, 2003, (ii) such time as the Partnership has entered into binding terminal capacity and use agreements (not options for the same) of at least 800 MMCF/day of the Project's capacity, (iii) such time as the General Partner provides Cheniere a written response, which expressly and affirmatively agrees with Cheniere's written notice to the General Partner stating that Cheniere believes that the Partnership has ceased marketing and selling additional Project capacity and that Cheniere would like to begin selling capacity for other LNG receiving and regasification facilities, or (iv) such time as LNG Investments withdraws from the Partnership, Cheniere shall not continue, engage in, solicit, initiate or encourage the sale of capacity at any other LNG receiving and regasification facility, other than the Project. Cheniere shall not solicit any officer or employee of the Partnership or the General Partner to leave the employ of such Person; provided, however, that this restriction shall not apply to Charles Reimer, Bill Henry or Volker Eyermann once such person is providing less than 50% of his business time to the Project. Neither Cheniere nor any of its Affiliates shall pursue the construction, development or operation of any Freeport LNG Facility until such time as LNG Investments or any of its Affiliates has no contractual, equity or partnership interest in, or related to the development of, the Project, except as provided in the Option Agreement between Cheniere and LNG Investments.

(b) LNG Investments. For so long as LNG Investments or its Affiliates has an Interest in the Partnership, none of LNG Investments or any of its Affiliates will directly acquire an interest in or otherwise pursue the development of any LNG receiving and regasification facilities in the Sabine Pass, Corpus Christi or Brownsville areas until the later of (i) two years

following the Closing Date or (ii) such time that Cheniere has no contractual, equity, partnership interest or other interest in, or related to the development of, an LNG receiving and regasification facility in the Sabine Pass, Corpus Christi or Brownsville areas. Neither the Partnership, LNG Investments, the General Partner nor any of their respective Affiliates shall solicit any of Cheniere's employees (other than Charles Reimer, Bill Henry and Volker Eyermann) or any employees of any Affiliate of Cheniere to leave the employ of such Person.

ARTICLE VIII
Meetings of Partners

8.1 Place of Meetings and Meetings by Telephone. Meetings of Partners shall be held at any place designated by the General Partner with the approval of both Limited Partners unless conducted by conference telephone or similar communications equipment in which the physical presence of a Partner is not necessary. Any meeting of the Partners may be held by conference telephone or similar communications equipment so long as all Partners participating in the meeting can hear one another, and all Partners participating by telephone or similar communications equipment shall be deemed to be present in person at the meeting. Each Limited Partner may participate in any meeting by telephone conference.

8.2 Call of Meetings. Meetings of the Partners may be called at any time by any Partner for the purpose of taking action upon any matter requiring the vote or authority of the Partners as provided in this Agreement or upon any other matter as to which such vote or authority is deemed by any Partner to be necessary or desirable.

8.3 Notice of Meetings of Partners. All notices of meetings of Partners shall be sent or otherwise given to all Partners in accordance with Section 8.4 not less than five (5) nor more than ninety (90) days before the date of the meeting. The notice shall specify (i) the place, date, and hour of the meeting, and (ii) the general nature of the business to be transacted.

8.4 Manner of Giving Notice. Notice of any meeting of Partners shall be given personally or by telephone to each Partner or sent by first class mail, by telecopy (or similar electronic means), or by a nationally recognized overnight courier, charges prepaid, addressed to the Partner at the address of that Partner appearing on the books of the Partnership or given by the Partner to the Partnership for the purpose of notice. Notice shall be deemed to have been given at the time when delivered either personally or by telephone, or at the time when deposited in the mail or with a nationally recognized overnight courier, or when sent by telecopy (or similar electronic means).

8.5 Adjourned Meeting; Notice. Any meeting of Partners, whether or not a quorum is present, may be adjourned from time to time by the vote of the Majority of the Percentage Interests represented at that meeting, either in person or by proxy. When any meeting of Partners is adjourned to another time or place, notice need not be given of the adjourned meeting, unless a new record date of the adjourned meeting is fixed or unless the adjournment is for more than sixty (60) days from the date set for the original meeting, in which case the General Partner shall set a new record date and shall give notice in accordance with the provisions of Sections 8.3 and 8.4. At any adjourned meeting, the Partnership may transact any business that might have been transacted at the original meeting.

8.6 Quorum; Voting. At any meeting of the Partners, a Majority in Interest of the Partners, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of Partners holding a higher aggregate Percentage

Interest is required by the Agreement or applicable law; provided, however, for so long as Cheniere and LNG Investments shall be the sole Limited Partners, the presence of both Cheniere and LNG Investments shall be required to constitute a quorum.

8.7 Waiver of Notice by Consent of Absent Partners. The transactions of a meeting of Partners, however called and noticed and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if a quorum is present either in person or by proxy and if either before or after the meeting, each person entitled to vote who was not present in person or by proxy signs a written waiver of notice or a consent to a holding of the meeting or an approval of the minutes. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any meeting of Partners. Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the beginning of the meeting.

8.8 Partner Action by Written Consent Without a Meeting. Except as provided in this Agreement, any action that may be taken at any meeting of Partners may be taken without a meeting and without prior notice if a consent in writing setting forth the action so taken is signed by a Majority in Interest (or Partners holding such higher aggregate Percentage Interest as is required to authorize or take such action under the terms of this Agreement or applicable law); provided, that all Partners receive not less than 15 days prior written notice of any action so taken. Any such written consent may be executed and

given by telecopy or similar electronic means. Such consents shall be filed with the Partnership and shall be maintained in the Partnership's records.

8.9 Record Date for Partner Notice, Voting, and Giving Consents. For purposes of determining the Partners entitled to vote or act at any meeting or adjournment thereof, the General Partner may fix in advance a record date which shall not be greater than ninety (90) days nor fewer than five (5) days before the date of any such meeting. If the General Partner does not so fix a record date, the record date for determining Partners entitled to notice of or to vote at a meeting of Partners shall be at the close of business on the business day immediately preceding the day on which notice is given, or if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(a) The record date for determining Partners entitled to give consent to action in writing without a meeting, (i) when no prior action of the General Partner has been taken, shall be the day on which the first written consent is given or (ii) when prior action of the General Partner has been taken, shall be (x) such date as determined for that purpose by the General Partner, which record date shall not precede the date upon which the resolution fixing it is adopted by the General Partner and shall not be more than 20 days after the date of such resolution or (y) if no record date is fixed by the General Partner the record date shall be the close of business on the day on which the General Partner adopts the resolution relating to that action.

(b) Only Partners of record on the record date as herein determined shall have any right to vote or to act at any meeting or give consent to any action relating to such record date, provided that no Partner who transfers all or part of such Partner's Interest after a record date (and no transferee of such Interest) shall have the right to vote or act with respect to the transferred Interest as regards the matter for which the record date was set.

8.10 Proxies. Every Partner entitled to vote or act on any matter at a meeting of Partners shall have the right to do so either in person or by proxy, provided that an instrument authorizing such a proxy to act is executed by the Partner in writing and dated not more than eleven (11) months before the meeting, unless the instrument specifically provides for a longer period. A proxy shall be deemed executed by a Partner if the Partner's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the Partner or the Partner's attorney-in-fact. A valid proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it before the vote pursuant to that proxy by a writing delivered to the Partnership stating that the proxy is revoked, by a subsequent proxy executed by or attendance at the meeting and voting in person by the person executing that proxy or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Partnership before the vote pursuant to that proxy is counted. A proxy purporting to be executed by or on behalf of a Partner shall be deemed valid unless challenged at or prior to its exercise and the burden of proving invalidity shall rest on the challenger.

ARTICLE IX
Indemnification of Partners

9.1 General. The Partnership, its receiver, or its trustee (in the case of its receiver or trustee, to the extent of the Partnership Assets) shall indemnify, save harmless, and pay all judgments and claims against each Partner or any managers, officers or directors of such Partner relating to any liability or damage incurred by reason of any act performed or omitted to be performed by such Partner, manager, officer, or director in connection with the Business of the Partnership, including attorneys' fees incurred by such Partner, officer, or director in connection with the defense of any action based on any such act or omission, which attorneys' fees may be paid as incurred.

9.2 Environmental. The Partnership, its receiver, or its trustee (in the case of its receiver or trustee, to the extent of the Partnership Assets) shall indemnify and hold harmless, to the maximum extent permitted by law, each Partner from and against any and all liabilities, sums paid in settlement of claims, obligat ions, charges, actions (formal or informal), claims (including, without limitation, claims for personal injury under any theory or for real or personal property damage), liens, taxes, administrative proceedings, losses, damages (including, without limitation, punitive damages), penalties, fines, court costs, administrative service fees, response and remediation costs, stabilization costs, encapsulation costs treatment, storage or disposal costs, groundwater monitoring or environmental study, sampling or monitoring costs, other causes of action, and any other costs and reasonable expenses (including, without limitation, reasonable attorneys', experts', and consultants' fees and disbursements and investigating, laboratory, and data review fees) imposed upon or incurred by any Partner (whether or not indemnified against by any other party) arising from and after the date of this Agreement directly or indirectly out of:

(a) the past, present, or future treatment, storage, disposal, generation, use, transport, movement, presence, release, threatened release, spill, installation, sale, emission injection, leaching, dumping, escaping, or seeping of any hazardous substances or material containing or alleged to contain hazardous substances at or from any past, present, or future properties or assets of the Partnership; and/or

(b) the violation or alleged violation by the Partnership or any third party of any Environmental Laws with regard to the past, present, or future ownership, operation, use, or occupying of any Partnership Assets.

9.3 Limitations.

(a) Notwithstanding anything to the contrary in any of Sections 9.1 and 9.2 above, no Partner shall be indemnified from any liabilities incurred as a result of conduct by the Partner which constitutes a breach of the provisions of this Agreement, fraud, bad faith, willful misconduct, or gross negligence.

(b) Notwithstanding anything to the contrary in any of Sections 9.1 and 9.2 above, in the event that any provision in any of such Sections is determined to be invalid in whole or in part, such Sections shall be enforced to the maximum extent permitted by law.

ARTICLE X
Management of the Partnership

10.1 The General Partner.

(a) The General Partner of the Partnership shall be Freeport GP unless a successor has been appointed pursuant to the provisions of this Agreement.

(b) Subject to the approval rights described herein, the business and affairs of the Partnership shall be managed exclusively by or under the direction of the General Partner and the power to act for or to bind the Partnership shall be vested exclusively in the General Partner, subject to the General Partner's authority to delegate powers and duties to officers and others as set forth herein. Subject to obtaining any necessary approvals hereunder, the General Partner shall have the power and authority to execute and deliver contracts, instruments, filings, notices, certificates, and other documents of whatsoever nature on behalf of the Partnership (including without limitation, the Certificate of Limited Partnership and any amendments thereto and any other certificates required or permitted to be filed by or on behalf of the Partnership pursuant to the Act or like law of any other jurisdiction). Except as otherwise required by applicable law, any such contract, instrument, certificate, or other document shall require the signature of the General Partner or the signature of such employee or agent to whom authority has been delegated by the General Partner.

(c) Unless authorized to do so by this Agreement or by the General Partner of the Partnership, no Limited Partner, agent, or employee of the Partnership shall have any power or authority to bind the Partnership in any way, to pledge its credit or to render it liable pecuniarily for any purpose.

10.2 Major Decisions.

(a) Notwithstanding the general authority of the General Partner under Section 10.1, the following matters ("Major Decisions") shall require the prior written consent of both Limited Partners (except to the extent (1) a Limited Partner has lost its approval and consent rights pursuant to Section 3.5 or (2) a Limited Partner transfers all or part of such Partner's Interest, in which case only the consent of LNG Investments and Cheniere shall be required pursuant to this Section 10.2 and such Limited Partner's assignee or transferee shall have no right to consent thereto):

(i) the taking of any Bankruptcy Action;

(ii) the sale of all or substantially all of the Partnership's Assets;

(iii) the assignment of any of the Partnership Assets in trust for the benefit of creditors, or the making or filing, or acquiescence in the making or filing by any other person, of a petition or other action requesting the reorganization or liquidation of the Partnership under the Bankruptcy Laws;

(iv) merger or consolidation of the Partnership with any other Person; and

(v) any Affiliate Transaction, unless the terms of such Affiliate Transaction are fair and reasonable to the Partnership and are not less

favorable to the Partnership than could be obtained in arms length negotiations with unrelated third parties, in which event such Affiliate Transaction shall not require any consent of the Limited Partners pursuant to this Section 10.2.

(b) In the event the Limited Partners are unable to agree as to the approval or disapproval of any Major Decision, the item shall be submitted to and decided by arbitration pursuant to ARTICLE XXI but only to the extent such matter is subject to arbitration pursuant to ARTICLE XXI and no action may be taken regarding the subject of the Major Decision if it is subject to arbitration pursuant to ARTICLE XXI unless and until a decision in such arbitration is rendered or the Limited Partners agree in writing as to the resolution of such matter.

(c) The General Partner shall inform and consult with Cheniere with respect to the General Partner's seeking, negotiating and obtaining construction financing for the Project from third party lenders and equity investors in accordance with Section 3.3 ("Construction Financing"), but Cheniere shall have no right to approve the terms of such Construction Financing including, without limitation, the admission of any lender or equity investor to the Partnership and any amendment to this Agreement in connection therewith; provided, however, that in the event Cheniere provides the General Partner with a bona fide term sheet for Construction Financing for the Project, from a party or parties with sufficient financial resources to provide such financing (and Cheniere shall provide reasonable evidence of such resources), containing terms that are more favorable to the Partnership than the terms of the Construction Financing secured by the General Partner, Cheniere's consent shall be required for the admission of any lender or equity investor and any amendment to this Agreement in connection therewith, which consent shall not be unreasonably withheld or delayed; and provided, further, that in the event Cheniere does not consent to the admission of any lender or equity investor or any amendment to this Agreement, as the case may be, in connection with the Construction Financing, Cheniere shall provide written notice of disapproval to the General Partner with specific reasons for its disapproval.

10.3 Resignation. Freeport GP agrees not to resign as the General Partner, other than pursuant to Section 16.2.

10.4 Removal. Freeport GP shall only be removed as a General Partner pursuant to Section 10.10.

10.5 Remuneration of General Partner; Reimbursement of Expenses. Subject to the approval pursuant to Section 10.2, if applicable, the General Partner shall be paid by the Partnership as determined in the discretion of the General Partner for performing its services as a General Partner. In addition, each of the General Partner and the Limited Partners shall be reimbursed for its reasonable out of pocket costs in connection with the Business of the Partnership including, without limitation, fees paid to professionals and advisors and travel and lodging expenses.

10.6 Limitation on Liability of General Partner; Indemnification.

(a) The General Partner of the Partnership shall not have any liability to the Partnership or the Other Partners for any losses sustained or liabilities incurred as a result of any act or omission of such General Partner if (i) the General Partner acted in good faith and in a manner it reasonably believed to be in, or not opposed to, the best interests of the Partnership and (ii) the conduct of the General Partner did not constitute a breach of the provisions of this Agreement, fraud, gross negligence, or willful misconduct.

(b) The Partnership shall indemnify and hold harmless (i) the General Partner, (ii) its managers, officers and employees, and (iii) any officers of the Partnership designated pursuant to Section 10.11 (each, an "Indemnitee") from and against any and all losses, claims, demands, costs, damages, liabilities, expenses of any nature (including reasonable attorneys' fees and disbursements), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits, or proceedings, civil, criminal, administrative, or investigative, in which an Indemnitee may be involved, or threatened to be involved, as a party or otherwise, arising out of or incidental to the Business of the Partnership, regardless of whether an Indemnitee continues to be a General Partner or a manager, officer or employee of the General Partner at the time any such liability or expense is paid or incurred, if (i) the Indemnitee acted in good faith and in a manner it or he or she reasonably believed to be in, or not opposed to, the best interests of the Partnership, and, with respect to any criminal proceeding, had no reason to believe his or her conduct was unlawful and (ii) the Indemnitee's conduct did not constitute a breach of the provisions of this Agreement, fraud, gross negligence or willful misconduct.

(c) Expenses incurred by an Indemnitee in defending any claim, demand,

action, suit, or proceeding subject to this Section 10.6 shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit, or proceeding, upon receipt by the Partnership of an undertaking by or on behalf of the Indemnitee to repay such amounts if it is ultimately determined that such person is not entitled to be indemnified as authorized in this Section 10.6. The indemnification provided by this Section 10.6 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, consent of the Partners, as a matter of law or equity, or otherwise, shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee. Subject to the foregoing sentence, the provisions of this Section 10.6 are for the benefit of the Indemnitees and shall not be deemed to create any rights for the benefit of any other Persons.

10.7 No Guarantee of Return by General Partner. The General Partner does not, in any way, guarantee the return of the Partners' Contributed Equity or a profit for the Partners from the operations of the Partnership. The General Partner shall not be responsible to any Partners because of a loss of their investment in the Partnership or a loss in the operations of the Partnership, unless the loss shall have been the result of the General Partner's breach of the provisions of this Agreement, fraud, gross negligence, willful misconduct, or breach of fiduciary duty. The General Partner shall incur no liability to the Partnership or to any of the Partners as a result of engaging in any other business or venture.

10.8 Other Businesses or Ventures. Except as provided in Section 7.6, each of the Partners, or any Affiliate, manager, officer, agent, or employee of any Partner, may engage in and possess any interest in other businesses or ventures of every nature and description, independently or with other Persons and neither the Partnership nor any of the Partners shall have any rights, by virtue of this Agreement or otherwise, in and to such businesses or ventures or the income or profits derived therefrom, or any rights, duties, or obligations in respect thereof. Subject to Sections 7.6 and 15.1 of this Agreement, each of the Partners acknowledges and agrees that each of the Partners will use information and know-how obtained by participating in this Partnership in other businesses and ventures, including the development and operation of other LNG receiving and regasification facilities. The Partners will have access to and copies of third-party research and reports, documents and agreements and other work product produced for the Partnership in connection with the Project and each of the Partners may use such information other businesses and ventures, including the development and operation of other LNG receiving and regasification facilities. Any Partner can hire any consultant, advisor or other third-party including any such party hired by the Partnership and such party may use the information and know-how developed for the Partnership in connection with the work on other projects or ventures of such Partner or its Affiliates.

10.9 Affiliate Transactions. Subject to the approval pursuant to Section 10.2, if applicable, the Partnership may enter into any contract, obligation or other commitment to which an Affiliate or any Partner is, or is to be, a party (an "Affiliate Transaction").

10.10 Removal of Freeport GP as General Partner. Freeport GP may be removed as the General Partner of the Partnership by Cheniere or LNG Investments only upon compliance with the terms and conditions of this Section 10.10. Freeport GP may be removed as the General Partner of the Partnership for (i) the resignation, Bankruptcy or dissolution of Freeport GP or LNG Investments, (ii) in the event that the General Partner or Michael S. Smith commit fraud or misappropriate funds of the Partnership, (iii) Michael S. Smith is convicted of a felony that has a Material Adverse Effect on the Business, (iv) LNG Investments' Percentage Interest is reduced below ten percent (10%) and Cheniere maintains a Percentage Interest of at least ten percent (10%) or (v) Freeport GP materially breaches a material provision of this Agreement (each a "Removal Event"). Upon a Removal Event, Cheniere may exercise its right to remove Freeport GP as the General Partner by giving notice ("Removal Notice") to Freeport GP and LNG Investments of the Removal Event, including within such Removal Notice the particulars of the Removal Event in reasonable detail; provided, however if the Removal Event results from a breach of a material term or provision of this Agreement by LNG Investments or Freeport GP, Cheniere shall be required to give notice of the existence of such a breach and if during the period of thirty (30) days following such notice, Freeport GP or LNG Investments cure such breach Cheniere will not be able to remove Freeport GP as the General Partner as a result of such Removal Event. If Cheniere exercises its right to remove Freeport GP as the General Partner, Cheniere shall admit a new general partner as a Partner of the Partnership with such portion of Cheniere's Interest as Cheniere shall determine in its sole discretion. Each of

Freeport GP and LNG Investments hereby irrevocably make, constitute, and appoint Cheniere or its successor in interest with full power of substitution, true and lawful attorney-in-fact, for it and in its name, place and stead, to make,

execute, sign, acknowledge, swear to, deliver, record and file any document or instrument that may be considered necessary or desirable by Cheniere to convert Freeport GP to a limited partner and admit a new general partner to the Partnership pursuant to this Section 10.10. The foregoing special power of attorney shall be one which is a special power of attorney coupled with an interest, is irrevocable, and shall survive the legal incapacity of Freeport GP or LNG Investments. Notwithstanding the preceding provisions of this Section 10.10, Cheniere shall not exercise its rights under the grant of the above special power of attorney unless a Removal Event has occurred and Cheniere has requested by notice to Freeport GP or LNG Investments that Freeport GP or LNG Investments take the action which Cheniere proposes to take by the exercise of the power of attorney and Freeport GP or LNG Investments fails to take such action within three (3) days of such notice. The removal of Freeport GP as General Partner shall not in any way affect, modify or limit LNG Investments' right to approve Major Decisions pursuant to Section 10.2 unless it has lost its approval and consent rights pursuant to the provisions of Section 3.5. Notwithstanding the foregoing provisions of this Section 10.10, LNG Investments or Freeport GP may contest whether or not a Removal Event has occurred by notice to Cheniere but only if the Removal Event as described in the Removal Notice results from the breach of a material term or provision of this Agreement by Freeport GP. If LNG Investments or Freeport GP contests whether such Removal Event has occurred the matter shall be submitted to arbitration pursuant to ARTICLE XXI and Freeport GP shall not be removed as General Partner unless and until the arbitrators find that such Removal Event has occurred.

10.11 Officers and Employees.

(a) The General Partner may, from time to time, designate one or more Persons to be officers of the Partnership. Any officers so designated shall have such authority and perform such duties as the General Partner may, from time to time, delegate to them. The General Partner may assign titles to particular officers. Unless the General Partner decides otherwise, if the title is one commonly used for officers of a business corporation formed under the General Corporation Law of the State of Delaware, the assignment of such title shall constitute the delegation to such officer of the authority and duties that normally are associated with that office, subject to (i) any specific delegation of authority and duties made to such officer by the General Partner, (ii) all standards of care and restrictions applicable to the General Partner hereunder, and (iii) the general direction and control of the General Partner. The officers shall hold office until their successors shall be duly designated and shall qualify, until their death, or until they shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same Person. Reasonable salaries shall be paid to officers of the Partnership for their services as officers as determined by the General Partner.

(b) Any officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the General Partner. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any officer may be removed as such, either with or without cause, by the General Partner whenever in its judgment the best interests of the Partnership will be served thereby; provided, however, that such removal shall be without prejudice to the contract rights, if any, of the Person so removed. Any vacancy occurring in any office of the Partnership may be filled by the General Partner.

(c) The General Partner shall be entitled in its sole discretion to hire employees, including officers, as it deems necessary (including any officers, members or managers of the General Partner) and to pay such employees as the General Partner deems fit, in its sole discretion.

(d) No officer of the Partnership shall have any liability to the Partnership or the Partners for any losses sustained or liabilities incurred as a result of any act or omission of such officer if (i) the officer acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the interests of the Partnership and (ii) the conduct of the officer did not constitute actual fraud, gross negligence, or willful misconduct.

ARTICLE XI
Advisory Committee

11.1 Formation of Advisory Committee. The General Partner shall form an advisory committee (the "Advisory Committee") consisting of representatives (as specified below) of the Limited Partners to advise the General Partner on such matters about which the General Partner may, in its sole and absolute discretion, elect to consult with the Advisory Committee. The General Partner may select up to four representatives to serve on the Advisory Committee and Cheniere may select one representative to serve on the Advisory Committee. The functions of the Advisory Committee shall be to consult with the General Partner on such other matters as may be requested by the General Partner. The Advisory Committee shall meet as often as necessary to fulfill its duties hereunder; provided that the Advisory Committee shall not be required to meet more than

once in any calendar quarter. Meetings of the Advisory Committee may be conducted in person, telephonically or through use of other communications equipment by means of which all persons participating in the meeting can communicate with each other.

11.2 Role of Advisory Committee. The recommendations of the Advisory Committee, if any, shall be advisory only and shall not obligate the General Partner to act in accordance therewith. The Advisory Committee will not have any responsibility for the management of the Partnership or its investments.

11.3 No Liability. Neither the General Partner nor any Affiliate of the General Partner shall have any liability to the Partnership, the Partners, or any other Person arising out of (a) the failure of the General Partner to consult with the Advisory Committee at any time or on any matters or (b) the failure of the General Partner to follow the recommendation of one or more Advisory Committee members; provided that this Section 11.3 shall not supersede the requirements to obtain any consent or approval of the Advisory Committee as expressly set forth herein.

11.4 Resignation. Any member of the Advisory Committee may resign at any time upon written notice to the General Partner.

11.5 Reimbursement. The Partnership shall pay compensation to the Advisory Committee members as determined by the General Partner and reimburse the Advisory Committee members for all reasonable out-of-pocket expenses incurred by the Advisory Committee members in acting pursuant to this Article XI.

ARTICLE XII
Covenants

12.1 Covenants of the Partnership and the Partners. The Partnership and each Partner hereby covenant as follows:

(a) Each of the Partnership and each Partner shall comply with all of its obligations under this Agreement.

(b) Each of the Partnership and the General Partner shall at all times remain in compliance with the provisions of Section 12.2 hereof.

(c) The Partnership and the General Partner shall keep proper books of records and accounts in which full, true and correct entries shall be made of all dealings and transactions in relation to its respective business and activities.

(d) Each Other Partner agrees that it shall not file or cause to be filed any petition or other proceedings by or against the Partnership or the General Partner that would become the subject of bankruptcy, insolvency or other similar proceedings or cause any other Bankruptcy Action, nor shall it consent to or acquiesce in any such filing or other proceedings or Bankruptcy Action, except in each case a Bankruptcy Action that has been approved all of the Partners and by all of the managers of the General Partner pursuant to Section 10.2(c).

(e) The General Partner shall not cause the Partnership to elect to be taxed as a corporation for federal income tax purposes.

12.2 Separateness Covenants of the Partnership and the General Partner. Each of the Partnership and the General Partner covenant that:

(a) Subject to Section 16.2, the Partnership and the General Partner each shall preserve, renew and keep in full force and effect its existence (except, in the case of the Partnership, in connection with a dissolution required by this Agreement) and shall take all reasonable action to maintain all material rights, privileges and franchises necessary or desirable in the normal conduct of its business, and shall comply with all Requirements of Law.

(b) Each of the Partnership and the General Partner shall continue to engage in business of the same general type as now conducted by it and preserve, renew and keep in full force and effect their partnership or corporate existence, as the case may be, and take all reasonable action to maintain all material rights, privileges and franchises necessary or desirable in the normal conduct of its business; comply with all Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) It will (i) maintain and prepare financial reports, financial statements, books and records and bank accounts separate from those of its Affiliates, any constituent party and any other Person and maintain its books, records, resolutions and agreements as official records, (ii) will not permit any Affiliate or constituent party independent access to its bank accounts, and (iii) unless otherwise required under the Internal Revenue Code, will file its own tax returns.

(d) It will not commingle the funds and other assets of the Partnership with those of any Affiliate or constituent party, or any other Person, and shall hold its assets in its own name.

(e) It shall conduct its own business in its own name.

(f) It is and will remain solvent and shall pay its debts and liabilities (including employment and overhead expenses) from its assets as the same shall become due.

(g) It has done or caused to be done and shall do all things necessary to observe partnership or corporate formalities, as applicable, and preserve its existence, and it shall not, nor will it permit any constituent party to, amend, modify or otherwise change the Certificate of Limited Partnership, this Agreement, the certificate of incorporation or bylaws, or the partnership agreement or other organizational documents of the Partnership or the General Partner, as applicable, or such constituent party in a manner contrary to the provisions of this Section 12.2.

(h) It shall pay the salaries of its own employees and maintain a sufficient number of employees in light of its contemplated business operations.

(i) It shall compensate each of its consultants and agents from its own funds for services provided to it and pay from its own assets all obligations of any kind incurred.

(j) It does not and shall not guarantee, become obligated for, or hold itself or its credit out to be responsible for, the debts or obligations of any other Person or the decisions or actions respecting the daily business or affairs of any other Person.

(k) It shall not cause or permit the Partnership to acquire obligations or securities of any Affiliate, any of the Partners or any of the members of the General Partner. It shall not buy or hold any evidence of indebtedness issued by any other Person, other than cash and investment-grade securities.

(l) Subject to the approval pursuant to Section 10.2, if applicable, it will allocate fairly and reasonably the cost of (i) any overhead for any office space shared with any Partner or with any Affiliate of any Partner, and (ii) any services (such as asset management, legal and accounting) that are provided jointly to the Partnership and one or more Affiliates.

(m) It will maintain and utilize separate stationery, invoices and checks and allocate separate office space (which may be a separately identified area in office space shared with one or more Affiliates) and maintain a separate sign in the office directory of the building in which it is located.

(n) It will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other Person. In the event that the Partnership or the General Partner knows of any misunderstanding regarding the separate identity of the Partnership or the General Partner, the Partnership or the General Partner shall correct such misunderstanding.

(o) It shall not identify itself or any of its Affiliates as a division or part of any other Person.

(p) It will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

(q) It has and shall maintain its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any Affiliate or constituent party, or any other Person.

(r) The General Partner and LNG Investments intend to proceed with the development and completion of the Project in a timely and expeditious manner. The General Partner and LNG Investments will use commercially reasonable efforts, including contributing up to $9,000,000 in Additional Contributed Equity in accordance with Section 3.4(a), to obtain Project Approval.

(s) Capacity Use. In the event the LNG regasification and receiving terminal operated by the Partnership has excess capacity that is made available to any Partner or any Affiliate of any Partner, such capacity will be made available to all Partners on the same terms and price pro rata based upon their Percentage Interest.

(t) Reserved.

(u) The Partnership and the General Partner will conduct an operational meeting each month on a date mutually acceptable to Cheniere and LNG Investments at such place as may be agreed to by the General Partner, Cheniere and LNG Investments to review the Partnership's marketing, financing, regulatory and developmental activities, including providing a report on marketing developments, financing developments, regulatory or governmental approval developments, and an update on engineering and other technical developments. Each Limited Partner shall be entitled to visit the Partnership's principal place of business during normal business hours with reasonable notice to meet with and question officers and employees of the Partnership and the General Partner and to inspect the Partnership's books, records and any third-party agreements.

ARTICLE XIII
Records and Reports

13.1 Maintenance and Inspection of Partner Register. The Partnership shall maintain at its principal place of business a record of its Partners, giving the names and addresses of all Partners and the Percentage Interest held by each Partner. Subject to such reasonable standards (including standards governing what information and documents are to be furnished and at whose expense) as may be established by the General Partner from time to time, each Partner has the right to obtain from the Partnership from time to time, upon reasonable demand for any purpose reasonably related to the Partner's interest as a Partner of the Partnership, a record of the Partnership's Partners.

13.2 Maintenance and Inspection of Partnership Agreement. The Partnership shall keep at its principal place of business the original or a copy of this Agreement as amended to date, which shall be open to inspection by the Partners at all reasonable times during office hours.

13.3 Maintenance and Inspection of Other Records. The accounting books and records, minutes of proceedings of the Partners and the General Partner and any committees or

delegates of the General Partner, and all other information pertaining to the Partnership that is required to be made available to the Partners under the Act shall be kept at such place or places designated by the General Partner or in the absence of such designation, at the principal place of business of the Partnership. The minutes shall be kept in written form and the accounting books and records and other information shall be kept either in written form or in any other form capable of being converted into written form. The books of account and records of the Partnership shall be maintained in accordance with GAAP consistently applied during the term of the Partnership, wherein all transactions, matters, and things relating to the business and properties of the Partnership shall be currently entered. Minutes, accounting books and records, and other information shall be open to inspection upon the written demand of any Partner at any reasonable time during usual business hours for a purpose reasonably related to the Partner's interests as a Partner. Any such inspection shall be made in person or by in agent or attorney and shall include the right to copy and make extracts at the expense of the Partnership.

ARTICLE XIV
Books, Financials and Tax Matters

14.1 Books and Records. The Partnership shall maintain at its principal place of business books of account that accurately record all items of income and expenditure relating to the business of the Partnership and that accurately and completely disclose the results of the operations of the Partnership. Such books of account shall be maintained according to GAAP consistently applied and on the basis of the Fiscal Year. Each Partner shall have the right to inspect and copy, at the Partnership expense, the Partnership's books and records at any time during normal business hours without notice to any other Partner. A general accounting and audit shall be taken by the Partnership Accountant for each Fiscal Year, at the expense of the Partnership. The audit shall be conducted in accordance with generally accepted auditing standards.

14.2 Financial Reports. The Partnership will furnish to the Partners a balance sheet as of February 28, 2003 on or before April 30, 2003. The Partnership will furnish to the Partners (a) within thirty (30) days after the close of each calendar quarter quarterly unaudited financial statements of this Partnership, (b) within sixty (60) days after the close of each calendar year, audited annual financial statements of this Partnership ((a) and (b) collectively referred to herein as the "Financial Statements"), and (c) annual budgets for the Partnership and updates to such budgets as necessary to provide reasonably accurate information but not less frequently than annually which budgets shall include a description of the anticipated sources of funds including a description of the anticipated amount and timing of any Additional Contributed Equity to be called by the General Partners during such Fiscal Year (the "Budget"); provided, however, that in the event any Partners become subject to more restrictive filing requirements, including any rules or regulations

adopted by the Securities and Exchange Commission, the Partnership will furnish the Financial Statements at least 15 days prior to the date of such Partner's required filings.

14.3 Tax Returns. The General Partner shall cause the Partnership Accountant to prepare all income tax and other tax returns of the Partnership which shall be presented to Cheniere (together with the calculations used to determine the Section 704(c) allocations for such returns) for its approval within 90 days of the end of each Fiscal Year. After each such tax return has been approved by Cheniere it shall be filed by the Partnership Accountant with the appropriate taxing authority. The General Partner shall furnish to each Partner a copy of all such filed returns together with all schedules thereto and such other information which each

Partner may request in connection with such Partner's own tax affairs. All such returns, schedules and information shall be provided to the Partners at the expense of the Partnership.

14.4 Tax Elections. The General Partner may elect to cause or require the Partnership to make the election provided for in I.R.C. Section 754 for the Fiscal Year that includes the Closing Date and maintain a record of the adjustments to Basis of Partnership Assets resulting from that election. Such election may be made on the federal and, if applicable, the state and local income tax returns for such Fiscal Year. All costs incurred by the Partnership in connection with such election and the maintenance of such records shall be an expense of the Partnership.

14.5 Tax Matters Partner. The General Partner is hereby designated the Tax Matters Partner (as defined in the I.R.C.) on behalf of the Partnership.

(a) Without the unanimous consent of the Partners, the Tax Matters Partner shall have no right to extend the statute of limitations for assessing or computing any tax liability against the Partnership or the amount of any Partnership tax item.

(b) The Tax Matters Partner may file a petition for readjustment of any Partnership tax item (in accordance with I.R.C. Section 6226(a)) in the United States Tax Court if the Partners unanimously agree to file such petition.

(c) The Tax Matters Partner shall, within ten (10) business days of receipt thereof, forward to each Partner a photocopy of any correspondence relating to the Partnership received from the Internal Revenue Service. The Tax Matters Partner shall, within ten (10) business days thereof, advise each Partner in writing of the substance of any conversation held with any representative of the Internal Revenue Service.

(d) Any reasonable costs incurred by the Tax Matters Partner for retaining accountants and/or lawyers on behalf of the Partnership in connection with any Internal Revenue Service audit of the Partnership shall be expenses of the Partnership. Any accountants and/or lawyers retained by the Partnership in connection with any Internal Revenue Service audit of the Partnership shall be selected by the Tax Matter Partner with the reasonable approval of Cheniere.

(e) Notwithstanding the preceding provisions of this Section 13.6, no action shall be taken by the General Partner in its capacity as Tax Matters Partner which may affect the tax liability of Cheniere without the approval of Cheniere.

14.6 The Partnership Accountant. The Partnership shall retain an independent certified public accountant determined by the General Partner as the regular accountant and auditor for the Partnership ("Partnership Accountant") or any other nationally-recognized independent accounting firm designated by the General Partner and approved by Cheniere. The fees and expenses of the Partnership Accountant shall be a Partnership expense.

ARTICLE XV
Nondisclosure of Information

15.1 Confidentiality.

(a) Subject to Section 15.1(b), all disclosures of trade secrets, know-how, financial information or other confidential information made by the Partnership to any Partner or made by any Partner under or in connection with this Agreement, shall be received and maintained in confidence by the recipient during the term hereof and for three (3) years after dissolution of the Partnership and each Partner shall treat all such trade secrets, know-how, financial information or other confidential information as confidential except:

(i) as to the Persons directly responsible for the performance

of the obligations of this Agreement and for the effective operation of the Partnership;

(ii) as to the professional advisors of the Partners and the Partnership;

(iii) as to such disclosures to customers of the Partnership as are necessary for the effective carrying on of business by the Partnership;

(iv) as to such information as is required by law to be disclosed by the Partners or the Partnership, including, without limitation, disclosures by Cheniere to comply with Securities and Exchange Commission filing requirements, after providing Freeport GP prior written notice of the form and content of such disclosure and providing Freeport GP a reasonable opportunity to comment on such disclosure; and

(v) as to such information as is or may fall within the public domain otherwise than in violation of the provisions of this Section 15.1.

(b) Each Partner shall have access to confidential information, know-how and work product (including third-party reports and agreements) produced in connection with the Project. Each of the Partners and each of their respective Affiliates is entitled to use any confidential information, including any know-how and third-party reports, documents, agreements or work products, in connection with the development or operation of any other business or venture, including the funding thereof. Each Partner and their respective Affiliates may hire any third-party consultant, advisor, counsel or other service provider employed by the Partnership and such party may use any work-product or know-how developed on behalf of the Partnership in providing services to such Partner or its Affiliates.

15.2 Duty of Care. Each Partner will take such steps as lie within its power to assure that all employees of the Partnership, to whom confidential information is disclosed, take all proper precautions to prevent the unauthorized disclosure and use of the confidential information referenced in Section 15.1.

ARTICLE XVI
Transferability

16.1 Transferability of Interests.

(a) Subject to the prior written consent of the General Partner, which consent shall not be withheld or delayed unless the General Partner determines, in its reasonable discretion, that such transfer would have a Material Adverse Effect on the Partnership or the Business, each of the Limited Partners may transfer all or any part of its Interest in the Partnership (including the transfer of any rights to receive or share in profits, losses, income, distributions or the return of contributions); provided, that such transferring Limited Partner gives

written notice (including the name and address of the proposed purchaser, transferee, or assignee and the date of such transfer) to the Partnership and the non-transferring Partners.

(b) Notwithstanding Section 16.1(a), in the event that LNG Investments desires to transfer any portion of its Interest in one transaction or in a series of related transactions in which all (but no less than all) of the General Partner's Interest or the outstanding capital stock of the General Partner is being sold or transferred, LNG Investments shall deliver a written notice to Cheniere specifying the identity of the prospective transferee(s) and disclosing in reasonable detail the price, the type of consideration and other terms and conditions of the proposed transfer. Cheniere may elect to participate in the proposed transfer by delivering a notice to LNG Investments and the proposed transferee(s) within fifteen (15) days of the date of the notice from LNG Investments. If Cheniere elects to participate in such transfer, Cheniere will be entitled to sell in such proposed transfer, at the same price and on the same terms as LNG Investments, a portion of its Interest equal to the product of (x) the quotient determined by dividing the Interest then held by Cheniere by the aggregate Interest then held by LNG Investments multiplied by (y) the aggregate Interest to be sold in such proposed transfer.

16.2 Withdrawal by LNG Investments and Freeport GP. Notwithstanding anything to the contrary contained in this Agreement, LNG Investments and Freeport GP may withdraw from the Partnership without the consent of any other Partner at any time; provided, that LNG Investments and Freeport GP comply with the following: (a) LNG Investments and Freeport GP take all action reasonably requested by Cheniere to transfer their respective Interests to Cheniere or any entity or entities designated by Cheniere, or alternatively, take any action reasonably requested by Cheniere to permit the cancellation of their Interests by the Partnership; and (b) LNG Investments pays to Cheniere an amount equal to the positive difference, if any, between (i) $4,000,000, plus (A) the amount of

any Affiliate Payment and (B) the Returned Amount, and (ii) all amounts actually contributed to the Partnership by LNG Investments (including any transferees and assignees of any portion of LNG Investments' Interest) pursuant to Section 3.4(a) and the LNG Investments Expenses (the "Withdrawal Payment"); provided, however, that such transfer or cancellation of their Interest and Withdrawal Payment shall be conditioned upon Cheniere executing a release and waiver of all claims against Freeport GP and LNG Investments in form reasonably acceptable to LNG Investments. Notwithstanding the foregoing, if (a) on or before March 31, 2003, LNG Investments and Freeport GP determine, in their sole discretion, and notifies Cheniere, in writing that the Partnership should terminate the Lease Agreement pursuant to Section 2.6 of the Lease Agreement and (b) Cheniere in its sole discretion does not desire to dissolve the Partnership pursuant to Section 20.1(a)(2), then LNG Investments shall not terminate the Lease Agreement and LNG Investments and Freeport GP may withdraw from the Partnership, without obligation to pay to Cheniere the Withdrawal Payment and, in addition, Cheniere shall be obligated to reimburse to LNG Investments on the earlier of the date of the sale of Cheniere's Gryphon Stock, the date of any sale of all or substantially all of the assets of Gryphon Exploration Company, or June 15, 2004 an amount equal to all amounts actually contributed to the Partnership by LNG Investments (including any transferees and assignees of any option of LNG Investments' Interest) pursuant to Sections 3.1 and 3.4(a) (the "Reimbursement Amount"). Such Reimbursement Amount shall be secured by a first priority security interest in the Gryphon Exploration Company stock owned by Cheniere or an Affiliate thereof (the "Gryphon Stock"), which security interest shall be evidenced by the Amended and Restated Stock Pledge Agreement, dated of even date herewith, between LNG Investments, Cheniere and Cheniere-Gryphon Management, Inc. (the "Pledge Agreement"). In the event LNG Investments and Freeport GP do not withdraw from the Partnership pursuant to the preceding sentence on or before March 31, 2003, LNG Investments shall release the Gryphon Stock. Upon a withdrawal

pursuant to this Section 16.2, LNG Investments shall have no further obligation to make any contribution to the Partnership, including, without limitation, any unpaid Additional Contributed Equity amounts arising pursuant to Section 3.4(a) or amounts contributed pursuant to Section 3.4(b).

16.3 Restrictions on Withdrawal. Notwithstanding anything to the contrary contained herein or under the Act, except as set forth in Section 16.2, no Partners shall have the right to resign from the Partnership.

ARTICLE XVII
Substituted Partners

Any transferee acquiring the Interest of a Partner as permitted under Article XVI shall be deemed admitted as a substituted Partner with respect to the Interest transferred concurrently with the effectiveness of such transfer (provided that such transferee, unless already a Partner, shall, as a condition to such admission, execute a counterpart of this Agreement, agreeing thereby to be bound by all of the terms and conditions hereof), and such substituted Partner shall be entitled to all of the rights and benefits under this Agreement of the transferor of such Interest. No purported transfer of any Interest, or any portion thereof or interest therein, in violation of the terms of this Agreement (including any transfer occurring by operation of law) shall vest the purported transferee with any rights, powers, or privileges hereunder, and no such purported transferee shall be deemed for any purposes as a Partner hereunder or have any right to vote or consent with respect to Partnership matters, to inspect Partnership records, to maintain derivative proceedings, to maintain any action for an accounting or to exercise any other rights of a Partner hereunder or, under the Act.

ARTICLE XVIII
Waiver of Partition/Covenant Against Resignation/Breaches

18.1 Waiver of Partition. No Partner shall, either directly or indirectly, take any action to require partition, file a bill for Partnership accounting or appraisement of the Partnership or of any of its assets or properties or cause the sale of any Partnership Assets, and notwithstanding any provisions of applicable law to the contrary, each Partner (and each of his legal representatives, successors, or assigns) hereby irrevocably waives any and all rights it may have to maintain any action for partition or to compel any sale with respect to his Partnership Interest, or with respect to any assets or properties of the Partnership, except as expressly provided in this Agreement.

18.2 Covenant Not to Resign or Dissolve. Notwithstanding any provision of the Act to the contrary, each Partner hereby covenants and agrees that the Partners have entered into this Agreement based on their mutual expectation that all Partners will continue as Partners and carry out the duties and obligations undertaken by them hereunder and that, except as otherwise expressly required or permitted hereby, each Partner hereby covenants and agrees not to (a) take any action to file a certificate of dissolution or its equivalent with respect to itself, (b) voluntarily take any Bankruptcy Action, (c) withdraw or attempt to withdraw from the Partnership, (d) exercise any power under the Act to dissolve

the Partnership, (e) transfer all or any portion of his interest in the Partnership in violation of Article XVI, (f) petition for judicial dissolution of the Partnership, or (g) demand a return of such Partner's contributions or profits (or a bond or other security for the return of such contributions or profits) except to the extent provided under this Agreement.

ARTICLE XIX
Additional Partners

Subject to Section 10.2(c), additional Partners may be admitted to the Partnership only with the approval of all the Limited Partners and the Contributed Equity and the Percentage Interest of any additional Partner shall be as determined by the Limited Partners approving the admission (and the Percentage Interest of all other Partners shall be adjusted to reflect the Percentage Interest granted to the additional Partner, pro rata based on relative Percentage Interests immediately prior to the admission of the additional Partner). Any additional Partner shall execute a counterpart of this Agreement, agreeing thereby to be bound by all of the terms and provisions hereof; provided that prior to or concurrently with the admission of an additional Partner, the Partners shall adopt such amendments to this Agreement as they deem appropriate to cause the provisions hereof that contemplate only three Partners to be appropriately modified to operate in the context of four or more Partners.

ARTICLE XX
Dissolution

20.1 Dissolution.

(a) The Partnership shall be dissolved upon the earliest to occur of the following:

(1) all or substantially all of the Partnership Assets have been sold, taken in condemnation, or otherwise disposed and reduced to cash;

(2) the Partners unanimously elect to dissolve the Partnership;

(3) the occurrence of any other event causing a dissolution of the Partnership under the Act.

(b) In the event of the occurrence of a dissolution of the Partnership due to the Bankruptcy or dissolution of Freeport GP, Cheniere shall have the right to reconstitute the Partnership following the conversion of Freeport GP to a limited partner and the admission of a new general partner of the Partnership pursuant to Section 10.10. In the event Cheniere has admitted a general partner to the Partnership pursuant to Section 10.10, Cheniere shall have the right to reconstitute the Partnership following the conversion of the above general partner to a limited partner and the admission of a new general partner of the Partnership.

(c) Upon dissolution of the Partnership unless it is reconstituted pursuant to Section 20.1(b), the General Partner, or such other person as is designated by a Majority of the Partners (such person being herein referred to as the "Liquidator") shall proceed to wind up the business and affairs of the Partnership in accordance with the terms hereof and the requirements of the Act. A reasonable amount of time shall be allowed for the period of winding-up in light of prevailing market conditions and so as to avoid undue loss in connection with any sale of Partnership Assets. This Agreement shall remain in full force and effect during the period of winding-up.

(d) In connection with the winding-up of the Partnership, before the later to occur at the end of the Fiscal Year of the Partnership or the ninetieth day after the liquidation of the Partnership within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations, the proceeds from the sale of Partnership Assets shall be distributed as follows:

(1) to creditors, including Partners who are creditors in satisfaction of liabilities of the Partnership (whether by payment or the making of reasonable provision for payment thereof); and

(2) thereafter to Partners in accordance with Section 5.4 hereof.

(e) If distributions are insufficient to return to any Partner the full amount of such Partner's Contributed Equity, such Partner shall have no recourse against any other Partner. No Partner shall have any obligation to restore, or otherwise pay to the Partnership, any other Partner, or any third party, the amount of any deficit balance in such Partner's Capital Account upon dissolution and liquidation. Following the completion of the winding-up of the

affairs of the Partnership and the distribution of the proceeds from the sale of Partnership Assets, the Partnership shall be deemed terminated and the Liquidator shall file a certificate of cancellation with the Secretary of State of the State of Delaware as required by the Act.

20.2 Deemed Liquidation. If no dissolution event has occurred, but the Partnership is deemed liquidated for federal income tax purposes within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations, as a result of a Partnership termination, as defined in I.R.C. Section 708(b)(1)(B), such termination will be treated in accordance with Section 1.708-1(b)(1)(iv) of the Regulations.

20.3 Bankruptcy, etc., of a Limited Partner. No event with respect to a Limited Partner, including the death, withdrawal, termination (in the case of a Limited Partner that is a partnership), dissolution (in the case of a Limited Partner that is a corporation), retirement or adjudication as a bankrupt of a Limited Partner, shall dissolve the Partnership, but the rights of such Limited Partner to share in the profits and losses of the Partnership and to receive distributions of the Partnership funds shall, upon the happening of such an event, pass to the Limited Partner's legal representative, or successors in interest, as the case may be, subject to this Agreement, and the Partnership shall continue as a limited partnership. In no event shall such Limited Partner's legal representative, or successors in interest, become a substitute Partner except as provided in Article XVI.

ARTICLE XXI
Dispute Resolution

21.1 Arbitration. The parties agree that any controversy, claim, or damages arising out of or relating in any manner to this Agreement or any breach hereof, will be resolved by binding arbitration in Houston, Texas pursuant to Texas Civ. Prac. & Rem. ss.171.001 et seq. The arbitration shall be conducted before a single neutral arbitrator and, unless otherwise agreed by the parties, shall be conducted pursuant to the JAMS Comprehensive Arbitration Rules and Procedures ("Rules") as in effect at the time of the arbitration; provided, however, that the arbitration will not be administered by JAMS or conducted by a JAMS' arbitrator unless both parties agree otherwise. If either party objects to the administration by JAMS, then the arbitration shall be administered by an entity or person mutually agreed upon by the parties or, absent such an agreement, by the arbitrator himself or herself. If the arbitration is not administered by JAMS, then, where reasonably practical, the provisions in the Rules applicable to the JAMS administrator shall be read to apply to the administrator appointed by the parties. If it is not reasonably practical to apply a provision relating to the JAMS administrator to the administrator appointed by the parties, then that provision of the Rules shall not apply to this arbitration. If a conflict exists between the Rules and this Section 21.1, then this Section 21.1 shall govern.

The arbitration shall be commenced by one party submitting an arbitration demand to the other. The parties shall have 20 days following the commencement of the arbitration to select a mutually agreeable arbitrator. If the parties fail to mutually select an arbitrator within this 20 day period, then each party shall, within ten days from such failure, submit to the other party a list of five neutral arbitrators who such party has contacted and confirmed are free of any conflicts and are available to conduct the arbitration. Within three days after these lists are exchanged, each party shall peremptorily strike up to three of the proposed arbitrators on the other party's list and shall submit a list of such strikes to the other party. Within three days after the peremptory strikes are exchanged, each party shall rank in order of preference the remaining proposed arbitrators, with "1" being the most preferred. The person with the lowest total combined ranking ("1" being the lowest ranking) shall be appointed as the arbitrator. In the case of a tie, the proposed arbitrator(s) who have or has the highest ranking of any single numeric ranking by either party (i.e., the least preferred by one party of those that are tied), will be struck and the remaining person shall be selected as the arbitrator. If the tie continues after those with the single highest numeric ranking are struck, then the arbitrator shall be selected from those remaining in the tie by a single toss of a coin. If an arbitrator for any reason withdraws from serving as the arbitrator after being appointed, then the replacement arbitrator shall be the next lowest ranking person from the original arbitration selection process. If a tie exists, then it shall be resolved by a single toss of a coin. If none of the ranked arbitrators from the original selection process can serve as the replacement arbitrator, then the parties shall re-start the entire arbitration selection process with new lists of proposed arbitrators.

Discovery shall be permitted pursuant to the Rules, and the arbitration hearing shall occur within 60 days following the appointment of the arbitrator. Any provisional or injunctive remedy that would be available in a court of law will be available from the arbitrator pending the arbitration of the dispute. The prevailing party shall be reimbursed its reasonable costs associated with the arbitration, including reasonable attorneys' fees. Within 30 days following the completion of the hearing, the arbitrator will issue a written ruling with

an explanation of the reasons for the award and a full statement of the facts as found and the rules of law applied in reaching his decision.

21.2 Binding Nature. The determination of the arbitrator shall be final and binding on the Partners. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

ARTICLE XXII
Miscellaneous

22.1 Amendments. Subject to Section 10.2(c), amendments to this Agreement may be made at any time by the General Partner and shall be adopted and be effective as an amendment hereto upon written approval by Cheniere and LNG Investments (but not their transferees or assignees).

22.2 Checks, Drafts, Evidence of Indebtedness. All checks, drafts, or other orders for payment of money, notes, or other evidence of indebtedness issued in the name of or payable to the Partnership shall be signed or endorsed in such manner and by such person or persons as shall be designated from time to time in accordance with the resolution of the General Partner.

22.3 Contracts and Instruments. No agent or employee of the Partnership shall have any power or authority to bind the Partnership by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

22.4 Notices. All notices and other communications required or permitted to be given or made under this Agreement shall be given or made in writing. Such notices shall be delivered by hand delivery, by telecopy (or similar electronic means) or by a nationally recognized overnight courier, fees prepaid, addressed as follows:

If to Freeport GP:
1200 Smith Street
Suite 600
Houston, TX 77002
Attn: Michael S. Smith
Fax: (713) 980-2903

copy to:
Brownstein Hyatt & Farber, P.C.
410 Seventeenth Street, 22/nd/ Floor
Denver, CO 80202-4437
Attn: Steven C. Demby, Esq.
Fax: (303) 223-1111

If to LNG Investments:
1200 Smith Street
Suite 600
Houston, TX 77002
Attn: Michael S. Smith
Fax: (713) 980-2903

copy to:
Brownstein Hyatt & Farber, P.C.
410 Seventeenth Street, 22/nd/ Floor
Denver, CO 80202-4437
Attn: Steven C. Demby, Esq.
Fax: (303) 223-1111

If to Cheniere:
Cheniere LNG, Inc.
333 Clay St., Suite 3400
Houston, TX 77002
Attn: Charif Souki
Fax: (713) 659-5459

copy to:
Andrews & Kurth, LLP
600 Travis, Suite 4200
Houston, TX 77002
Attn: Michael Overman
Fax: (713) 220-4285

Any party may make changes, additions or deletions to its address for the purpose of this Section 22.4 by notice to the other parties given in the manner set forth above.

22.5 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS).

22.6 Headings. The Article and Section headings of this Agreement are for convenience only, do not form a part of this Agreement, and shall not in any way affect the interpretation hereof.

22.7 Extension Not a Waiver. No delay or omission in the exercise of any power, remedy or right herein provided or otherwise available to a Partner or the Partnership shall impair or affect the right of such Partner or the Partnership thereafter to exercise the same. Any extension of time or other indulgence granted to a Partner hereunder shall not otherwise alter or affect any power, remedy or right of any other Partner or of the Partnership, or the obligations of the Partner to whom such extension or indulgence is granted.

22.8 Publicity. No Partner shall issue any press release or otherwise publicize or disclose the terms of this Agreement or the terms of the Partners' acquisition of the Interests in the Partnership, without the consent of the other Partners, except as such disclosure may be made in the course of normal reporting practices by a Partner to its partners, shareholders, consultants or members or as otherwise required by law.

22.9 Construction and Amendment. No oral explanation of or oral information relating to this Agreement offered by either party hereto shall alter the meaning or interpretation of this Agreement.

22.10 Further Action. Each Partner agrees to perform all further acts and execute, acknowledge, and deliver any documents which may be reasonably necessary, appropriate, or desirable to carry out the provisions of this Agreement.

22.11 Variation of Pronouns. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine, or neuter, singular or plural, as the identity of the Person or Persons may require.

22.12 Successors and Assigns. Subject to the restrictions on transfer set forth in Article XV, this Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

22.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement.

22.14 Ambiguities. All of the parties to this Agreement have participated in the negotiation and drafting hereof. Accordingly, it is understood and agreed that the general rule that ambiguities are to be construed against the drafter shall not apply to this Agreement. In the event that any language of this Agreement is found to be ambiguous, each party shall have an opportunity, in any legal proceeding, to present evidence as to the actual intent of the parties with respect to any such ambiguous language.

22.15 Entire Agreement. The terms and conditions contained herein and in the associated agreements constitute the entire agreement between the Partners concerning the subject matter hereof, and shall supersede all previous communications, either oral or written, between the parties hereto, and no agreement or understanding varying or extending this Agreement shall be binding upon either Partner unless in writing, signed by a duly authorized officer or representative of each Partner.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year first set forth above.

GENERAL PARTNER:

FREEPORT LNG-GP, INC.

By: /s/ Michael S. Smith

Name: Michael S. Smith
Title: Chief Executive Officer

LIMITED PARTNERS:

FREEPORT LNG INVESTMENTS, LLC

By: /s/ Michael S. Smith

Name: Michael S. Smith
Title: Managing Member

CHENIERE LNG, INC.

By: /s/ Charif Souki

Name: Charif Souki
Title: President

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED ("ACT"), OR UNDER ANY APPLICABLE STATE SECURITIES LAWS, AND THEY CANNOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR OTHERWISE HYPOTHECATED EXCEPT IN ACCORDANCE WITH THE REGISTRATION REQUIREMENTS OF THE ACT AND SUCH STATE LAWS OR UPON DELIVERY TO THE COMPANY OF AN OPINION OF LEGAL COUNSEL SATISFACTORY TO THE COMPANY THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

Warrant to Purchase Common Stock
of
CHENIERE ENERGY, INC.

This Warrant (this "Warrant") to Purchase Common Stock (as defined below) is issued February 27, 2003, by Cheniere Energy, Inc., a Delaware corporation (the "Company"), to Freeport LNG Investments, LLC (the "Holder").

1. Issuance of Warrant; Term. The Company hereby grants to Holder, subject to the provisions hereinafter set forth, the right to purchase 700,000 shares of common stock, $.003 par value per share, of the Company (the "Common Stock"). The shares of Common Stock issuable upon exercise of this Warrant are hereinafter referred to as the "Shares." This Warrant shall be exercisable at any time before 5:00 p.m. (Houston, Texas time) on February 12, 2013 (the "Exercise Period").

2. Exercise Price. This exercise price per share for which all or any of the Shares may be purchased pursuant to the terms of this Warrant shall be $2.50 (the "Exercise Price").

3. Exercise

(a) This Warrant may be exercised by Holder, from time to time, in whole or in part, at any time prior to the expiration of the Exercise Period, upon Holder's delivery of (i) written notice of intent to the Company at the address of the Company set forth below its signature or such other address as the Company shall designate in writing to Holder, (ii) this Warrant and (iii) payment (in the manner described in Section 3(b) below) for the aggregate Exercise Price of the Shares so purchased. Upon exercise of this Warrant as aforesaid, the Company shall as promptly as practicable, but in no event later than 15 days after delivery of the notice, Warrant and Exercise Price, execute and deliver to Holder a certificate or certificates for the total number of whole Shares for which this Warrant is being exercised in such names and denominations as are requested by Holder. If this Warrant shall be exercised with respect to less than all of the Shares, Holder shall be entitled to receive a new Warrant covering the number of Shares in respect of which this Warrant shall not have been exercised, which new Warrant shall in all other respects be identical to this Warrant.

(b) Payment for the Shares to be purchased upon exercise of this Warrant may be made at the election of the Holder by the delivery of (i) a certified or cashier's check payable to the Company for the aggregate Exercise Price of the Shares to be purchased or (ii) Shares in lieu of a monetary payment (a "Cashless Exercise"). If Holder elects a Cashless Exercise, the number of Shares issuable upon exercise of this Warrant would be reduced by an amount equal to the aggregate Exercise Price otherwise payable divided by the Fair Market Value (as defined below) of a Share as of the exercise date. "Fair Market Value" of

a Share on date of reference shall be the Closing Price (as defined below) of the Common Stock on the business day immediately preceding such date. For purposes of this Section 3(b), the "Closing Price" of Common Stock on any business day shall be: (a) if the Common Stock is listed or admitted for trading on any United States national securities exchange, the last reported sale price of the Common Stock on such exchange, as reported in any newspaper of general circulation; (b) if the Common Stock is quoted on the Nasdaq National Market, or any similar system of automated dissemination of quotations of securities prices in common use, the mean between the closing high bid and low asked quotations for such day of the Common Stock on such system; (c) if neither clause (a) or (b) is applicable, the mean between the high bid and low asked quotations for the Common Stock as reported by the National Daily Quotation Service if at least two securities dealers have inserted both bid and asked quotations for the Common Stock on at least five of the ten preceding days; (d) in lieu of the above, if actual transactions in the Common Stock are reported on a consolidated transaction reporting system, the last sale price of the Common Stock on such system; or (e) if none of the foregoing apply, the value determined by the Board of Directors of the Company (the "Board") in its reasonable discretion in a fair and uniform way.

4. Representations and Warranties of the Company.

(a) Due Incorporation and Good Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws

of the State of Delaware, with full and adequate power to carry on and conduct its business as presently conducted, and is duly licensed or qualified in all foreign jurisdictions wherein the failure to be so qualified or licensed would reasonably be expected to have a material adverse effect on the business of the Company.

(b) Due Authorization. The Company has full right, power and authority to enter into, execute and deliver this Warrant and to perform all of its duties and obligations under this Warrant. The execution and delivery of this Warrant will not, nor will the observance or performance of any of the matters and things herein set forth, violate or contravene any provision of the law or the Company's bylaws or articles of incorporation. All necessary and appropriate corporate action on the part of the Company has been taken to authorize the execution and delivery of this Warrant.

(c) Enforceability. This Warrant has been validly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable against it in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization or similar laws relating to or affecting the enforcement of creditors' right and to the availability of the remedy of specific performance.

(d) Absence of Conflicts. The execution, delivery and performance by the Company of this Warrant, and the transactions contemplated hereby, do not constitute a breach or default, or require consents under, any agreement, permit, contract or other instrument to which the Company is a party, or by which the Company is bound, or to which any Company assets are subject, or any judgment, order, writ, decree, authorization or license to which the Company, or the assets of the Company are bound or subject to, or any rule, regulations or statues and will not result in the creation of any lien upon any of the assets of the Company.

(e) Issuance Upon Exercise. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the

purpose of effecting the exercise of this Warrant, such number of its shares of Common Stock as shall from time to time be sufficient to effect the exercise of this Warrant, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the exercise of the entire Warrant, in addition to such other remedies as shall be available to the holder of this Warrant, the Company will use commercially reasonable efforts to take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose. Upon exercise of this Warrant in accordance with the terms hereof, the Shares shall be validly issued, fully paid and nonassessable.

5. Covenants and Conditions.

(a) Neither this Warrant nor the Shares have been registered under the Securities Act of 1933, as amended (the "Act"), or any state securities laws ("Blue Sky Laws"). This Warrant and the Shares have been acquired by the Holder for investment purposes and not with a view to distribution or resale, and the Shares may not be made subject to a security interest, pledged, hypothecated, sold or otherwise transferred without an effective registration statement therefor under the Act and such applicable Blue Sky Laws or an opinion of counsel (which opinion and counsel rendering same shall be reasonably acceptable to the Company) that registration is not required under the Act and under any applicable Blue Sky Laws. The certificates representing the Shares shall bear substantially the following legend:

> THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT'), OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAWS, BUT HAVE BEEN ACQUIRED FOR THE PRIVATE INVESTMENT OF THE HOLDER HEREOF AND MAY NOT BE OFFERED, SOLD OR TRANSFERRED UNTIL (I) A REGISTRATION STATEMENT UNDER THE ACT OR SUCH APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (II) IN THE OPINION OF COUNSEL (WHICH OPINION AND COUNSEL SHALL BE REASONABLY SATISFACTORY TO THE COMPANY) REGISTRATION UNDER THE LAW OR SUCH APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED OFFER, SALE OR TRANSFER.

Other legends as required by applicable federal and state laws may be placed on such certificates. Holder and the Company agree to execute such documents and instruments as counsel for the Company reasonably deems necessary to effect compliance of the issuance of this Warrant and any Shares issued upon exercise hereof with applicable federal and state securities laws.

6. Warrantholder not Stockholder. This Warrant does not confer upon Holder any voting rights or other rights as a stockholder of the Company.

7. Certain Adjustments.

7.1. Capital Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time there shall be a capital reorganization (other than a combination or subdivision of Common Stock otherwise provided for herein), a share exchange (subject to and duly approved by the stockholders of the Company) or a merger or consolidation of the Company with or into another corporation, or the sale of the Company's properties and assets as, or substantially as,

an entirety to any other person, then, as a part of such reorganization, share exchange, merger, consolidation or sale, lawful provision shall be made so that Holder shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified in this Warrant and upon payment of the Exercise Price, the number of shares of stock or other securities or property of the Company or the successor corporation resulting from such reorganization, share, exchange, merger, consolidation or sale, to which Holder would have been entitled under the provisions of the agreement in such reorganization, share exchange, merger, consolidation or sale if this Warrant had been exercised immediately before that reorganization, share exchange, merger, consolidation or sale. In any such case, appropriate adjustment (as determined in good faith by the Board) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of Holder after the reorganization, share exchange, merger, consolidation or sale to the end that the provisions of this Warrant (including adjustment of the Exercise Price then in effect and the number of the Shares) shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.

7.2. Splits and Subdivisions. If the Company at any time or from time to time fixes a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of the holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as the "Common Stock Equivalents") without payment of any consideration by such holder for the additional shares of Common Stock or Common Stock Equivalents, then, as of such record date (or the date of such distribution, split or subdivision if no record date is fixed), the Exercise Price shall (i) in the case of a split or subdivision, be appropriately decreased and the number of the Shares shall be appropriately increased in proportion to such increase of outstanding shares and (ii) in the case of a dividend or other distribution, the holder of the warrant shall have the right to acquire without additional consideration, upon exercise of the warrant, such property or cash as would have been distributed in respect of the shares of Common Stock for which the warrant was exercisable had such shares of Common Stock been outstanding on the date of such distribution.

7.3. Combination of Shares. If the number of shares of Common Stock outstanding at any time after the date hereof is decreased by a combination or reverse stock split of the outstanding shares of Common Stock, the Exercise Price shall be appropriately increased and the number of the Shares shall be appropriately decreased in proportion to such decrease in outstanding shares.

7.4. Adjustments for Other Distributions. In the event the Company shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by the Company or other persons, assets (excluding cash dividends) or options or rights not referred to in Section 7.4, upon exercise of this Warrant, Holder shall be entitled to a proportionate share of any such distribution as though Holder was the holder of the number of shares of Common Stock of the Company into which this Warrant may be exercised as of the record date fixed for the determination of the holders of Common Stock of the Company entitled to receive such distribution.

7.5. Certificate as to Adjustments. In the case of each adjustment or readjustment of the Exercise Price pursuant to this Article 7, the Company will promptly compute such adjustment or readjustment in accordance with the terms hereof and cause a certificate setting forth such adjustment or readjustment and showing in detail the facts upon

which such adjustment or readjustment is based to be delivered to Holder. The Company will, upon the written request at any time of Holder, furnish or cause to be furnished to Holder a certificate setting forth:

(a) Such adjustment and readjustments;

(b) The Exercise Price at the time in effect; and

(c) The number of Shares and the amount, if any, of other

property at the time receivable upon the exercise of the Warrant.

7.6. Notices of Record Date, etc. In the event of:

(a) Any taking by the Company of a record of the holders of any class of securities of the Company for the purpose of determining the holders thereof who are entitled to receive any dividends or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right; or

(b) Any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any transfer of all or substantially all of the assets of the Company to any other person or any consolidation, share exchange or merger involving the Company; or

(c) Any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company will mail to Holder at least 20 days prior to the earliest date specified herein, a notice specifying:

(i) The date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right; and

(ii) The date on which any such reorganization, reclassification, transfer, consolidation, share exchange, merger, dissolution, liquidation or winding up is expected to become effective and the record date for determining stockholders entitled to vote thereon.

8. Piggyback Registration.

8.1. Right to Include Registrable Securities. Except as set forth below, if the Company at any time proposes or is required to file a Registration Statement under the Act covering any of its securities, whether or not for its own account, other than (i) a registration on Form S-4, Form S-8, or any successor or similar forms, or (ii) a shelf registration under Rule 415 under the Act for the sole purpose of registering shares to be issued in connection with the acquisition of assets, whether or not for sale for its own account, it will each such time give prompt written notice to the Holder of its intention to do so and of the Holder's rights under this Section 7.1. Upon the written request of the Holder made within 30 days after the receipt of any such notice (which request shall specify the Shares intended to be disposed of by the Holder and the intended method of disposition thereof), the Company will use its best efforts to effect the registration under the Act of all Shares which the Company has been so requested to register by the Holder, to the extent required to permit the disposition in accordance with the

intended methods of disposition, by inclusion of such Shares in the Registration Statement which covers the securities that the Company proposes to register ("Piggyback Right"); provided, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the Registration Statement filed in connection with such registration, the Company shall determine for any reason either not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to the Holder and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Shares in connection with such registration (but not from its obligation to pay the registration expenses in connection therewith), without prejudice and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Shares, for the same period as the delay in registering such other securities. There is no limitation on the number of such piggyback registrations pursuant to this Section 7 which the Company is obligated to effect.

(a) Priority in Piggyback Registrations. If (i) a registration pursuant to Section 7.1 involves an underwritten offering of the securities being registered, whether or not for sale for the account of the Company, to be distributed by or through one or more underwriters under underwriting terms appropriate for such a transaction, and (ii) the managing underwriter of such underwritten offering shall inform the Company and the Holder by letter that marketing factors require a limitation of the number of securities (including the Shares) to be underwritten (such writing to state the basis of such belief and the approximate number of such securities which may be distributed without such effect), then the underwriter(s) may exclude shares (including the Shares) from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated as follows: (1) if the Company initiates the registration, first, to the Company and second, to the Holder or any other person or entity exercising piggyback registration rights on a pro rata basis based on the total number of Shares or shares of Common Stock then held by such Holder or other person or entity; or (2) if a person or entity (including the Holder) is exercising demand registration rights, first, to such person or entity or Holder exercising such demand registration rights, second, to the Company, and third, to the Holder or any

other person or entity exercising piggyback registration rights on a pro rata basis based on the total number of Common Stock or Shares then held by the Holder or such other person or entity. In the event that the underwriters determine that the total amount of securities requested to be included in the offering exceeds the amount that the underwriters determine is compatible with the success of the offering, then the Company shall provide written notice of such determination to the Holder.

(b) Holder's Right to Withdraw. The Holder shall have the right to withdraw its request for inclusion of its Shares in any registration statement pursuant to Section 7.1 by giving written notice to the Company of its request to withdraw; provided, however, that (i) such request must be made in writing prior to the earlier of the execution of the custody agreement with respect to such registration and (ii) such withdrawal shall be irrevocable and, after making such withdrawal, the Holder shall no longer have any right to include Shares in the registration as to which such withdrawal was made.

8.2. Demand Registration. Except as provided in Section 8.2(d) below, the Holder shall be entitled to one Demand Registration Request (as defined herein). Subject to this Section 8.2, the Holder shall have the right to require the Company to file a registration statement under the Act covering the Shares by delivering a written request therefor to the Company specifying the Shares to be included in such registration by the Holder and the intended method of distribution thereof. Any such request pursuant to this Section 8.2 is

referred to herein as a "Demand Registration Request" and the registration so requested is referred to herein as the "Demand Registration."

(a) Registration. The Company shall, as expeditiously as possible following the Demand Registration Request, use commercially best efforts to effect such registration under the Act (including, without limitation, by means of a shelf registration pursuant to Rule 415 under the Act if so requested and if the Company is then eligible to use such a registration) of the Shares which the Company has been so requested to register, for distribution in accordance with such intended method of distribution.

(b) Limitations on Requested Registration. The rights of the Holder to request a Demand Registration pursuant to this Section 8.2 are subject to the following limitations: (1) except as provided in Section 8.2(d), in no event shall the Holder be entitled to more than one Demand Registration Requests or (2) if the Holder has participated in a Demand Registration in a 90 day period preceding the request.

(c) Company Registration. During the period starting with the date of filing of, and ending on a date 180 days after the effective date of, a registration subject to Section 8.1 hereof, the Company shall not be obligated to effect, or take any action to effect, any registration pursuant to this Section 8.2; provided that the Company is actively employing good faith and commercially best efforts to cause such registration statement to become effective. In the event that the Company determines not to pursue a registration or to withdraw a registration that has been filed, notice of such action will be provided promptly by the Company to the Holder.

(d) Underwriting Requirements. If the Holder intends to distribute the Shares by means of an underwriting, it shall so advise the Company as a part of its request made pursuant to this Section 8.2. The underwriter will be selected by the Holder and shall be reasonably acceptable to the Company. All persons, including the Holder, proposing to distribute their Common Stock through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting. Notwithstanding any other provisions of this Section 8.2, if the underwriter advises the Holder in writing that marketing factors require a limitation of the number of shares to be underwritten, then the number of Shares and other securities that may be included in the underwriting shall be allocated first, to the Holder, second, to the Company, and third, to any other person or entity of whose Common Stock the Company has agreed may be included in the offering or any other person exercising piggyback registration rights on a pro rata basis. In the event that notice is received from the underwriter that the number of shares to be underwritten should be limited, and as a result of such limitation Holder will continue to hold 200,000 or more Shares, then the offering shall not be deemed to be a Demand Registration Request.

8.3. Expenses. All expenses incurred in connection with a Demand Registration pursuant to this Article 8, including without limitation all registration and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements of one counsel for the Holder (but excluding underwriters' discounts and commissions), shall be borne by the Company. The Holder shall bear such Holder's proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all discounts, commissions or other amounts payable to underwriters or brokers in connection with such offering. Notwithstanding the foregoing, the Company shall not be

required to pay for any expenses of any registration

proceeding begun pursuant to this Article 8 if the registration request is subsequently withdrawn at the request of the Holder, unless the Holder agrees to forfeit its right to one Demand Registration; provided, further, however, that if at the time of such withdrawal, the Holder has learned of a material adverse change in the condition, business, or prospects of the Company not known to the Holder at the time of its request for such registration and has withdrawn its request for registration with reasonable promptness after learning of such material adverse change, then the Holder shall not be required to pay any such expenses and shall retain its rights pursuant to this Article 8.

8.4. Obligations of the Company. Whenever required to effect the registration of any Shares under this Agreement, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the Securities and Exchange Commission ("SEC") a registration statement with respect to such Shares and use reasonable, diligent efforts to cause such registration statement to become effective, and, upon the request of the Holder registered thereunder, keep such registration statement effective for up to 90 days;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish to the Holder a copy of the prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as Holder may reasonably request in order to facilitate the disposition of the Shares owned by it that are included in such registration;

(d) use reasonable, diligent efforts to register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holder, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. The Holder shall also enter into and perform its obligations under such an agreement;

(f) notify the Holder at any time when a prospectus relating to the Shares is required to be delivered under the Act, of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) furnish, at the request of Holder, on the date that Shares are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective:

(i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to the Holder requesting registration, addressed to the underwriters, if any, and to the Holder; and

(ii) a "comfort" letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to the Holder requesting registration, addressed to the underwriters, if any, and to the Holder.

8.5. Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Article 8 that the Holder shall furnish to the Company such information regarding itself, the Shares held by it, and the intended method of disposition of such securities as shall be required to timely effect the registration of the Shares.

8.6. Indemnification. In the event any Shares are included in a

registration statement under Sections 8.1 and 8.2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless the Holder, the shareholders, partners, members, officers and directors of the Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the Securities and Exchange Act of 1934, as amended (the "1934 Act") against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively, "Violations" and, individually, a "Violation"):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;

(ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or

(iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any federal or state securities law or any rule or regulation promulgated under the Act, the 1934 Act or any federal or state securities law in connection with the offering covered by such registration statement; and

(iv) the Company will reimburse Holder, shareholder, partner, member, Manager, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided however, that the indemnity agreement contained in this Section 8.6(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it

arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, shareholder, partner, member, officer, director, underwriter or controlling person of Holder.

(b) To the extent permitted by law, the Holder will indemnify and hold harmless (i) the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Act and (ii) any underwriter, against any losses, claims, damages or liabilities to which the Company or any such director, officer, controlling person or underwriter may become subject under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by Holder expressly for use in connection with such registration; and Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person or underwriter in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 8.6(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further, that the total amounts payable in indemnity by a Holder under this Section 8.6(b) in respect of any Violation shall not exceed the net proceeds received by Holder in the registered offering out of which such Violation arises.

(c) Promptly after receipt by an indemnified party under this Section 8.6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 8.6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver

written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 8.6, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 8.6.

(d) Defect Eliminated in Final Prospectus. The foregoing indemnity agreements of the Company and Holder are subject to the condition that, insofar as they relate to any Violation made in a preliminary prospectus but eliminated or remedied in the amended prospectus on file with the SEC at the time the registration statement in question becomes effective or the amended prospectus filed with the SEC pursuant to SEC Rule 424(b) (the "Final Prospectus"), such indemnity agreement shall not inure to the benefit of any person if a copy of the Final Prospectus was furnished to the indemnified party and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Act.

8.7. Survival. The obligations of the Company and Holder under Section 8.6 shall survive the completion of any offering of Shares in a registration statement, and otherwise.

8.8. Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the Shares to the public without registration, after such time as a public market exists for the Common Stock of the Company, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Act, at all times after the effective date of the first registration under the Act filed by the Company for an offering of its securities to the general public;

(b) Use reasonable, diligent efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act (at any time after it has become subject to such reporting requirements); and

(c) So long as Holder owns the Warrant or any Shares, to furnish to the Holder upon request a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company for an offering of its securities to the general public), and of the Act and the 1934 Act (at any time after it has become subject to the reporting requirements of the 1934 Act), a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company as the Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such securities without registration (at any time after the Company has become subject to the reporting requirements of the 1934 Act).

9. Fractional Shares. The Company shall not be required to issue a fractional share upon the exercise of this Warrant the aggregate number of shares issuable will be rounded up to the nearest full share.

10. Split-Up, Combination, Exchange and Transfer of Warrants. Subject to and limited by the provisions of Section 5(a) hereof, this Warrant at the request of the Holder may be split up, combined or exchanged for another Warrant or Warrants containing the same terms and entitling the Holder to purchase a like aggregate number of Shares. If the Holder desires to split up, combine or exchange this Warrant, the Holder shall make such request in writing delivered to the Company and shall surrender to the Company this Warrant and any other Warrants to be so split up, combined or exchanged. Upon any such surrender for a split-up, combination or exchange, the Company shall execute and deliver to the person entitled thereto a Warrant or Warrants, as the case may be, as so requested. The Company shall not be required to effect any split-up, combination or exchange which will result in the issuance of a Wan-ant entitled the Warrantholder to purchase upon exercise a fraction of a share of Common Stock or a fractional Warrant. The Company may require such Holder to pay a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any split-up, combination or exchange of Warrants.

11. Successors and Assigns. All the covenants and provisions of this Warrant shall bind and inure to the benefit of the Company's successors and assigns, and the heirs, legatees, devisees, executors, administrators, personal and legal representatives, and successors and permitted assigns of Holder.

12. Governing Law. This Warrant shall be governed by and construed in accordance with the laws, and not the laws of conflicts, of the State of Delaware. The Holder hereby consents and agrees to submit to the jurisdiction in

the United States of the District Court of the State of Texas located in Harris County or of the United States District Court for the Southern District of Texas for any action or proceeding brought by the Company arising under this Warrant and to the venue of such action or proceeding in such courts.

CHENIERE ENERGY, INC.

By: /s/ Don A. Turkleson

Name: Don A. Turkleson
Title: Chief Financial Officer

Exhibit 10.7

OPTION AGREEMENT

This Option Agreement ("Option Agreement"), dated February 27, 2003 (the "Effective Date"), is entered into between Freeport LNG Investments, LLC, a Delaware limited liability company ("Investments"), and Cheniere Energy, Inc., a Delaware corporation ("Cheniere"). Each of Investments and Cheniere is sometimes referred to herein as a "Party," and together, are sometimes referred to herein as the "Parties."

R E C I T A L S

A. The Parties, Freeport LNG-GP, Inc., a Delaware corporation (the "General Partner"), Cheniere LNG, Inc., a Delaware corporation ("Cheniere LNG") and Freeport LNG Terminal, LLC, a Delaware limited liability company ("Terminal LLC," and together with Cheniere and Cheniere LNG, the "Cheniere Entities") executed a Contribution Agreement, dated August 26, 2002, as amended by the Extension and Amendment to the Contribution Agreement, dated September 19, 2002, the Second Extension and Amendment to the Contribution Agreement, effective as of October 4, 2002, and the Third Amendment to the Contribution Agreement, dated as of the Effective Date (collectively, the "Contribution Agreement");

B. Pursuant to Section 5.2(b) of the Contribution Agreement, Investments agreed to enter into this Option Agreement at Closing; and

C. Pursuant to Section 6.2(d)(v) of the Contribution Agreement, Investments' execution of this Option Agreement is a condition to the Cheniere Entities Closing the Contribution Agreement.

D. Capitalized terms used herein and not otherwise defined herein have the meaning given to them in the Contribution Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto do hereby agree as follows:

1. Grant of Option. Investments grants to Cheniere the right and option to acquire 40% of any payment, interest or value (collectively, an "Interest") held or received by Investments or any of its Affiliates (hereinafter collectively, "Investments") in (a) any Freeport LNG Facility, other than the Project (a "Second Freeport LNG Facility") or (b) any partnership, joint venture, corporation or entity formed by Investments to pursue the development of any Second Freeport LNG Facility (the "Option"); provided, however, that the Option and the Interest Cheniere shall acquire upon exercise of the Option (the "Cheniere Interest") shall not include the right to acquire any percentage of any compensation or payment paid to Investments for services rendered by Investments to such Second Freeport LNG Facility, unless the terms of such compensation and payment paid to Investments for services rendered are less favorable to the Second Freeport LNG Facility than could be obtained in arms length negotiations with unrelated third parties.

2. Terms and Conditions. Such Cheniere Interest shall be on the same terms and subject to the same conditions, including, but not limited to, any payment terms, as the Interest Investments holds (directly or indirectly) in such Second Freeport LNG Facility (the "Investment Interest"). In addition, the Cheniere Interest shall be subject to the same proportionate dilution as the Investment Interest.

3. Exercise of Option. Upon Investments acquiring an Investment Interest in any Second Freeport LNG Facility or the formation of any partnership, joint venture, corporation or entity to do the same, then:

(a) Investments must provide Cheniere written notice stating (i) that Investments has acquired an Investment Interest in a Second Freeport LNG Facility, (ii) the general terms of the Investment Interest in such Second Freeport LNG Facility and (iii) that Cheniere may exercise its Option to acquire a Cheniere Interest (a "Option Notice).

(b) At any time prior to the end of the 30-Day Period (as defined below), Cheniere shall have the right to request (i) detailed information regarding the Investment Interest in the Second Freeport LNG Facility and (ii) reasonable access to legal, accounting and business due diligence regarding the Second Freeport LNG Facility (collectively, "Due Diligence Material"). Investments shall provide Cheniere with reasonable access to the Due Diligence Material.

(c) Within 30 days of receipt of such Option Notice (the "30-Day Period"), Cheniere shall have the right to notify Investments in writing of its intent to exercise the Option (an "Election

Notice"). Upon delivery of the Election Notice, (i) Cheniere and its Representatives (as defined below) shall be deemed to be satisfied with the results of their legal, accounting and due diligence investigation and (ii) Cheniere shall then be obligated to enter into such definitive documents as are deemed necessary to evidence the Cheniere Interest in such Second Freeport LNG Facility (the "Definitive Documents").

If Cheniere fails to deliver an Election Notice to Investment before 5:00 p.m. (MT) on the last day of such 30-Day Period, it will be assumed that Cheniere does not intend to exercise its Option with regard to such Second Freeport LNG Facility discussed in such Option Notice and thereby waives any rights it has hereunder to such Cheniere Interest in such Second Freeport LNG Facility.

4. Confidentiality.

(a) Cheniere hereby agrees that it will hold in strictest confidence any and all Evaluation Material (as defined below), and shall not disclose such Evaluation Material to any person except those employees, directors, officers, agents, advisors, consultants, affiliates or representatives of Cheniere (the "Representatives") who have a need to know in the course of the performance of their duties; provided that (a) each such Representative shall be bound by obligations of confidentiality no less stringent than as set forth in this Option Agreement, (b) Cheniere shall expressly disclose the confidential nature of the Evaluation Material to the Representatives and shall direct each Representative not to disclose to

any other person any Evaluation Material and agrees to take such appropriate action by instruction or agreement with its Representatives to satisfy its obligations hereunder and (c) Cheniere agrees to be responsible for any breach of this Option Agreement by its Representatives. Cheniere shall use such Evaluation Material only for the purpose for which it is disclosed and shall not otherwise use or exploit it for its own benefit without the prior written consent of Investments.

(b) For purposes of this Section 4, "Evaluation Material" shall include without limitation any and all information, ideas, data, reports, analyses, compilations, studies, interpretations, projections, forecasts, records, designs, methods, discoveries, improvements, products or services, trade secrets, product data and specifications, proprietary rights, business affairs, product developments, customer information or employee information and other materials that were provided to Cheniere in the course of (a) notifying Cheniere of its right to exercise the Option, including, but not limited to, the Option Notice and (b) assisting Cheniere in its decision regarding the exercise of the Option, including, but not limited to, the Due Diligence Material. The term "Evaluation Material" shall also include all information, data, reports, analyses, computations, studies, interpretations, projections, forecasts, records, notes, memoranda, summaries or other materials in whatever form maintained, whether documentary, computerized or otherwise, whether prepared by Cheniere or one of its Representatives, that contain or otherwise reflect or are based upon, in whole or in part, any such Evaluation Material or that reflect the Cheniere's or its Representative's assessment on whether to exercise the Option. The term "Evaluation Material" shall not include (1) information generally available to the public and (2) information independently developed or acquired by Cheniere or its Representatives without reliance in any way on other Evaluation Material.

(c) If Cheniere decides not to exercise the Option, Cheniere shall return promptly to Investments, or destroy, all copies, extracts or other reproductions in whole or in part of the Evaluation Material in the possession of Cheniere or its Representatives. Such destruction shall, if requested, be certified in writing to Investments by an authorized officer of Cheniere supervising such destruction. Notwithstanding the return or destruction of the Evaluation Material, Cheniere and its Representatives will continue to be bound by Cheniere's obligations of confidentiality and other obligations hereunder.

5. Closing. The closing ("Option Closing") of the purchase of the Cheniere Interest shall on a date set forth by Investments, which date shall be reasonably available to Cheniere and shall be in no event earlier than 15 days after receipt of the Election Notice. The Option Closing shall take place at the office of Brownstein, Hyatt & Farber, P.C., 410 17/th/ Street, Suite 220, Denver

Colorado. At the Closing:

(a) Cheniere shall execute the Definitive Documents;

(b) If applicable, Cheniere shall provide the necessary funds or property to acquire the Cheniere Interest; and

(c) Cheniere shall pay its proportionate share of all costs and expenses incurred by the Second Freeport LNG Facility as of the Option Closing, to the extent, and on the same terms, as Investments is obligated to incur such costs and expenses, and shall covenant and agree to pay its proportionate share of all future costs and expenses incurred by the Second Freeport LNG Facility and any future capital calls made by such Second Freeport LNG Facility, to the extent, and on the same terms, as Investments is obligated to incur such costs and expenses or make such future capital call.

6. Representations and Warranties of Cheniere. Cheniere represents and warrants to Investments that as of the date hereof and as of the Closing (a) Cheniere is corporation, duly organized validly existing and in good standing under the laws of the State of Delaware, (b) Cheniere has the corporate power and authority to enter into this Option Agreement, and to consummate the transactions contemplated hereby and (c) that this Option Agreement constitutes a legal, valid and binding obligation of Cheniere enforceable against Cheniere in accordance with its terms.

7. Covenants of Cheniere. Cheniere acknowledges and agrees that it shall be solely responsible for all obligations of the Cheniere Entities with regard to the Option or any Cheniere Interest under the Contango Option.

8. Representations and Warranties of Investments. Investments represents and warrants to Cheniere that as of the date hereof and as of the Closing Date (a) Investments is a limited liability company duly organized validly existing and in good standing under the laws of the State of Delaware, (b) Investments has the limited liability company power and authority to enter into this Option Agreement and to consummate the transactions contemplated hereby and (c) that this Option Agreement constitutes a legal, valid and binding obligation of Investments enforceable against Investments in accordance with its terms.

9. Termination. In the event that Cheniere delivers the Exercise Notice to Investments and then fails to consummate the Option Closing on the date set by Investments (subject to such extensions as shall be mutually agreed to by the Parties), in addition to any other remedies available under law and equity, this Option Agreement shall immediately terminate and Investments shall be entitled to pursue any Interest in a Second Freeport LNG Facility without any further obligation to Cheniere hereunder.

10. No Third Party Beneficiaries. Except as specifically set forth herein, this Option Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

11. Entire Option Agreement. This Option Agreement constitutes the entire Option Agreement between the Parties and supersedes any prior understandings, Option Agreements or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof or thereof.

12. Assignment. Except as set forth below, this Option Agreement and any rights and obligations hereunder shall not be assignable or transferable by Cheniere (including by operation of law, in connection with a merger or sale of stock, or sale of substantially all the assets of Cheniere) without the prior written consent of the Investments and any purported assignment without such consent shall be void and without effect.

13. Counterparts; Facsimile Signatures. This Option Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Each Party hereto agrees to accept the facsimile signature of the other Party hereto and to be bound by its own facsimile signature; provided, however, that the Parties shall exchange original signatures by overnight mail.

14. Headings. The section headings contained in this Option Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Option Agreement.

15. Notices. All notices, requests, demands, claims and other communications hereunder will be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed received (a) upon confirmation of an electronic mail or facsimile message, (b) one Business Day following the

date sent when sent by overnight delivery via a reputable courier or (c) five Business Days following the date mailed when mailed by registered or certified mail return receipt requested and postage prepaid, at the following addresses:

If to the Cheniere:

Cheniere Energy, Inc.
333 Clay St., Suite 3400
Houston, TX 77002
Facsimile: (713) 659-5459
Attn: Charif Souki

with a copy to:

Andrews & Kurth, L.L.P.
600 Travis, Suite 4200
Houston, TX 77002
Facsimile: (713) 220-4285
Attn: Michael Overman, Esq.

If to Investments:

1200 Smith Street
Suite 600
Houston, TX 77002
Facsimile: (713) 980-2903
Attn: Michael S. Smith

with copies to:

Brownstein Hyatt & Farber, P.C.
410 Seventeenth Street, 22nd Floor

Denver, CO 80202
Facsimile: (303) 223-1111
Attn: Steven C. Demby, Esq.

Any Party may send any notice, request, demand, claim or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, or ordinary mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

16. Governing Law. This Option Agreement shall be governed by and construed in accordance with the domestic laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) to the extent such provisions or rules would apply the law of another jurisdiction.

17. Amendments and Waivers. No amendment of any provision of this Option Agreement shall be valid unless the same shall be in writing and signed by the Parties. No waiver by any Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent to such occurrence.

18. Severability. Any term or provision of this Option Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

19. Expenses. Except as otherwise expressly provided in this Option Agreement, each Party will pay all of its costs and expenses, including attorneys' and accountants' fees, in connection with the negotiation of this Option Agreement, the performance of its obligations and the consummation of the transactions contemplated by this Option Agreement.

20. Construction. The Parties have participated jointly in the negotiation and drafting of this Option Agreement. In the event an ambiguity or question of intent or interpretation arises, this Option Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Option Agreement.

21. Attorneys Fees. If either Party brings any suit, action, counterclaim, or arbitration to enforce the provisions of this Option Agreement (including

without limitation enforcement of any award or judgment obtained with respect to this Option Agreement), the prevailing Party shall be entitled to recover a reasonable allowance for attorneys' fees, litigation expenses, and the cost of arbitration in addition to court costs.

22. Jurisdiction. Each Party agrees that all Actions arising out of or based upon this Option Agreement or the subject matter hereof shall be brought and maintained exclusively in the federal courts located in the City of Houston in the State of Texas. Each Party by execution hereof (i) hereby irrevocably submits to the jurisdiction of the federal courts located in the State of Texas for the purpose of any Action arising out of or based upon this Option Agreement or

the subject matter hereof and (ii) hereby waives to the extent not prohibited by applicable Law, and agrees not to assert, by way of motion, as a defense or otherwise, in any such Action any claim that it is not subject personally to the jurisdiction of the above-named court, that it is immune from extraterritorial injunctive relief, that its property is exempt or immune from attachment or execution, that any such Action may not be brought or maintained in the above-named court, should be dismissed on the grounds of forum non conveniens, should be transferred to any court other than the above-named court, should be stayed by virtue of the pendency of any other Action in any court other than the above-named court, or that this Option Agreement or the subject matter hereof may not be enforced in or by the above-named court. Each Party hereby consents to service of process in any such Action in any manner permitted by the laws of the State of Texas, agrees that service of process by registered or certified mail, return receipt requested, at the address specified in or pursuant to Section 15 hereof is reasonably calculated to give actual notice and waives and agrees not to assert by way of motion, as a defense or otherwise, in any such Action any claim that service of process made in accordance with Section 15 hereof does not constitute good and sufficient service of process. The provisions of this Section 22 shall not restrict the ability of any Party to enforce in any court any judgment obtained in the state or federal courts located in the State of Texas.

23. Waiver of Jury. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY TO THIS OPTION AGREEMENT HEREBY WAIVES, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND ACTION OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS OPTION AGREEMENT OR THE SUBJECT MATTER HEREOF, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN TORT OR CONTRACT OR OTHERWISE. ANY OF THE PARTIES HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS ARTICLE XI WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH OF THE PARTIES HERETO TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Option Agreement to be executed individually or by their duly authorized officers on the date first above written.

CHENIERE: CHENIERE ENERGY, INC.

By: /s/ Charif Souki

Name: Charif Souki
Title: Chairman

INVESTMENTS: FREEPORT LNG INVESTMENTS, LLC

By: /s/ Michael S. Smith

Name: Michael S. Smith
Title: Managing Member

[Signature Page to Option Agreement]

Exhibit 10.8

PARTNERSHIP INTEREST PURCHASE AGREEMENT

among

CONTANGO SUNDANCE, INC.,

CONTANGO OIL & GAS,

CHENIERE LNG, INC.

and

CHENIERE ENERGY, INC.

dated as of March 1, 2003

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PARTNERSHIP INTEREST
PURCHASE AGREEMENT

THIS PARTNERSHIP INTEREST PURCHASE AGREEMENT (the "Agreement") is made as of the 1st day of March, 2003, among Contango Sundance, Inc., a Delaware corporation ("Contango"), Contango Oil & Gas, a Delaware corporation and an affiliate of Contango ("O&G" and collectively with Contango, the "Contango Entities"), Cheniere LNG, Inc, a Delaware corporation ("Cheniere LNG"), and Cheniere Energy, Inc., a Delaware corporation ("Cheniere" and collectively with Cheniere LNG, the "Cheniere Entities").

WHEREAS, Cheniere LNG has entered into an Amended and Restated Limited Partnership Agreement ("Partnership Agreement") for Freeport LNG Development, L.P., a Delaware limited partnership (the "Partnership") pursuant to which Cheniere LNG received a forty percent (40%) limited partnership interest in the Partnership and Freeport LNG Investments, LLC (together with its successors and assigns under the Partnership Agreement, "Investments") received a sixty-percent (60%) limited partnership interest in the Partnership; and

WHEREAS, Contango and Cheniere entered into that certain Option Purchase Agreement dated June 4, 2002 (as amended by the Extension and Amendment to the Option Agreement dated December 15, 2002, the "Option Agreement") pursuant to which Contango has the right and option to purchase from Cheniere (the "Option") a ten percent (10%) interest in the Partnership; and

WHEREAS, in connection with the execution of the Option Purchase Agreement, Cheniere delivered to O&G a Secured Promissory Note in the initial principal amount of $750,000 (the "Note") and a Security Agreement dated June 4, 2002 securing such Note (the "Security Agreement"); and

WHEREAS, Contango has delivered notice of the exercise of such Option prior to the First Option Expiration Date (as defined in the Option Agreement) pursuant to which it notified Cheniere of its intent to purchase the interest in the Partnership defined in Section 5.4 of this Agreement as the "Assigned Interest;"

WHEREAS, it is an integral part of this Agreement that O&G deliver the Note and terminate the Security Agreement at the Closing;

WHEREAS, O&G has determined that its execution, delivery and performance of this Agreement directly benefits, and are in the best interest of, O&G; and

WHEREAS, Contango wishes to exercise the Option to purchase the Assigned Interest, and Cheniere LNG wishes to sell (and Cheniere wishes to cause Cheniere LNG to sell) the Assigned Interest to Contango.

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. EXERCISE OF OPTION, PURCHASE AND SALE OF STOCK

1.1 Purchase of the Assigned Interest. Subject to the terms and conditions of this Agreement, Cheniere LNG agrees to sell, transfer and assign to Contango, and Contango agrees to purchase from Cheniere LNG, the Assigned Interest in the Partnership.

1.2 Consideration. In consideration of the sale, transfer and delivery of the Assigned Interest, Contango shall deliver the following (the "Purchase Price"):

(a) at Closing, $750,000 in immediately available funds ("Closing Amount");

(b) on the fifteenth day of each calendar month starting on June 15, 2003 and ending on April 15, 2004, $100,000 in immediately available

funds (subject to earlier payment of such amounts in accordance with (d) below);

(c) on May 15, 2004, $83,333 in immediately available funds (subject to earlier payment of such amount in accordance with (d) below); and

(d) on the later to occur of (i) the date 10 days after Contango has received written notice of Project Approval (as defined in the Partnership Agreement) which notice may occur prior to the actual approval and (ii) the date on which Project Approval (as defined in the Partnership Agreement) is obtained, $400,000 (plus any unpaid portion of the amounts described in (b) and (c) above in the event that Project Approval is obtained prior to May 15, 2004) in immediately available funds.

The amounts described in (b), (c) and (d) above are collectively referred to herein as the "Additional Amount."

In addition, Contango assumes the obligations set forth in the definition of Assigned Interest under Section 5.4.

1.3 Additional Provisions Related to the Consideration.

(a) Contango may surrender and deliver the Note to satisfy in full its obligation related to the Closing Amount. Contango and O&G each hereby agree that upon the consummation of the transactions contemplated by this Agreement, neither Contango nor O&G is entitled to any further payments of principal or interest under the Note, that Cheniere has satisfied all obligations to Contango and O&G under the Note, and that the Note is discharged in full and is of no further force or effect. Upon execution of this Agreement, Contango will deliver or cause to be delivered to Cheniere the original Note marked "CANCELED."

(b) The Parties agree that effective upon the Closing, the Security Agreement and the security interest created thereby is terminated and O&G and Contango release all of the property constituting collateral thereunder.

1.4 Security Agreement. Contango's obligation to pay the Additional Amount is secured by a security interest in the Assigned Interest and Contango shall execute, simultaneously with the Closing hereunder, a Security and Pledge Agreement of even date herewith between Contango and Cheniere LNG setting forth the terms and conditions of such security interest and specifying certain remedies.

2. CLOSING

2.1 The Closing. The transactions contemplated by this Agreement (the "Closing") shall take place at 10:00 a.m., Houston time, at the offices of Andrews & Kurth L.L.P., 600 Travis, Suite 4200, Houston, Texas 77002, on March 1, 2003 (the "Closing Date").

2.2 Deliveries. In addition to the other things required to be done hereby, at the Closing, (a) O&G and/or Contango shall deliver to the Cheniere Entities, if not previously delivered to the Cheniere Entities, (i) the Note, (ii) a Security and Pledge Agreement, and (iii) all certificates and such other instruments and documents required pursuant hereto to be delivered by or on behalf of each of the Contango Entities at or prior to the Closing, or reasonably requested by Cheniere in connection herewith and (b) the Cheniere Entities shall deliver to Contango (i) a warrant to purchase 300,000 shares of Cheniere common stock at an exercise price of $2.50 per share in the form attached as Exhibit 2.2(b)(i), (ii) a joinder to the Amended and Restated Partnership Agreement, duly executed by the parties thereto, admitting Contango as a substituted limited partner (as contemplated by Article XVII of the Partnership Agreement) in the partnership, which joinder shall be in the form attached hereto as Exhibit 2.2(b)(ii) and (iii) all certificates and such other instruments and documents required pursuant hereto to be delivered by or on behalf of each of the Cheniere Entities at or prior to the Closing, or reasonably requested by the Contango Entities in connection herewith.

3. REPRESENTATIONS AND WARRANTIES OF THE CHENIERE ENTITIES

Each of the Cheniere Entities jointly and severally represents and warrants to Contango that each of the following representations and warranties is true as of the date of this Agreement.

3.1 Due Organization. The Partnership is a limited partnership duly organized and validly existing under the laws of Delaware, and to Cheniere's Knowledge, is duly authorized, qualified and licensed under all applicable laws, regulations, ordinances and orders of Government

Authorities to own its properties and assets and to carry on its business in the places and in the manner as it is now conducted. True and correct copies of the Partnership's Certificate of Limited Partnership, as amended and Amended and Restated Limited Partnership Agreement are attached to Exhibit 3.1. Each of the Cheniere Entities is a corporation duly organized, validly existing and in good standing under the laws of Delaware and is duly authorized, qualified and licensed under all applicable laws, regulations, ordinances and orders of Government Authorities to own its properties and assets and to carry on its business in the places and in the manner as it is now conducted, except as disclosed on Schedule 3.1.

3.2 Authorization. Each of the Cheniere Entities has full legal right, power and authority to enter into this Agreement and any agreement, document or certificate contemplated hereby and to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) violate or conflict with any provision of any of the Cheniere Entities' Certificate of Incorporation or Bylaws, (ii) violate or conflict with any provision of, or be an event that is a violation of, or result in the modification, cancellation or acceleration of, any obligation under, or result in the imposition or creation of any Encumbrances upon any of the assets of the Cheniere Entities or, to Cheniere's Knowledge, the Partnership pursuant to any mortgage, lien, lease, agreement or instrument to which any of the Cheniere Entities or, to Cheniere's Knowledge, the Partnership is a party or by which any of the Cheniere Entities or, to Cheniere's Knowledge, the Partnership, is bound, (iii) violate or conflict with any Legal Requirement applicable to (x) any of the Cheniere Entities or, to Cheniere's Knowledge, the Partnership or (y) any of the Cheniere Entities' properties or assets or any other material restriction of any kind or character to which it or they are subject or, to the Cheniere's Knowledge, any of the Partnership's properties or assets or any other material restriction of any kind or character to which it or they are subject, or (iv) require any authorization, consent, order, permit or approval of, or notice to, or filing, registration or qualification with, any Government Authority and, except for the general partner of the Partnership, any other Person. This Agreement has been duly executed and delivered by each of the Cheniere Entities and, assuming the due execution and delivery hereof by Contango and the consent of the general partner of the Partnership, this Agreement constitutes the legal, valid and binding obligation of the Cheniere Entities.

3.4 Litigation and Administrative Proceedings. There is no litigation, proceeding or investigation pending or, to the knowledge of Cheniere, threatened against the Cheniere Entities in any federal, state or local court, or before any administrative agency, that seeks to enjoin or prohibit, or otherwise questions the validity of, any action taken or to be taken pursuant to or in connection with this Agreement.

3.5 Percentage Interests of the Company. Prior to the consummation of the transactions contemplated by this Agreement, Cheniere LNG owns a forty percent limited partnership interest in the Partnership and such interest is free and clear of all Encumbrances. Upon consummation of this Agreement in accordance with its terms, Contango will acquire good and valid title in the Assigned Interest, free and clear of all Encumbrances. As of the effective date of the Partnership Agreement, Cheniere LNG's capital account in the Partnership was $9,333,333.

4. REPRESENTATIONS OF CONTANGO

Each of the Contango Entities, jointly and severally represents and warrants to Cheniere that each of the following representations and warranties is true as of the date of this Agreement:

4.1 Authorization. Contango is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and is duly authorized, qualified and licensed

under all applicable laws, regulations, ordinances, and orders of Governmental Authorities to own its properties and assets and carry on its business in places and in the manner as it is now conducted. O&G is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and is duly authorized, qualified and licensed under all applicable laws, regulations, ordinances, and orders of Governmental Authorities to own its properties and assets and carry on its business in places and in the manner as it is now conducted. Each of the Contango Entities has full legal right, power and authority to enter into this Agreement and any agreement, document or certificate contemplated hereby and to perform its obligations hereunder and to consummate the transactions

contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) violate or conflict with any provision of, or be an event that is (or with the passage of time will result in) a violation of, or result in the modification, cancellation or acceleration of (whether after the giving of notice or lapse of time or both), any obligation under, or result in the imposition or creation of any Encumbrances upon any of the assets of Contango or O&G pursuant to any mortgage, lien, lease, agreement or instrument to which Contango or O&G is a party or by which Contango or O&G is bound, (ii) violate or conflict with any Legal Requirement applicable to Contango or O&G or any of their respective properties or assets or any other material restriction of any kind or character to which it or they are subject, or (iii) require any authorization, consent, order, permit or approval of, or notice to, or filing, registration or qualification with, any Government Authority or any other Person. This Agreement has been duly executed and delivered by Contango and O&G and, assuming the due execution and delivery hereof by the Cheniere Entities, this Agreement constitutes the legal, valid and binding obligation of Contango and O&G.

4.2 Approvals. No authorization, consent or approval of, or registration or filing with, any Governmental Authority or any other Person is or was required to be obtained or made by Contango or O&G in connection with the execution, delivery or performance of this Agreement.

4.3 Litigation and Administrative Proceedings. There is no litigation, proceeding or investigation pending or, to the knowledge of Contango or O&G, threatened against Contango in any federal, state or local court, or before any administrative agency, that seeks to enjoin or prohibit, or otherwise questions the validity of, any action taken or to be taken pursuant to or in connection with this Agreement.

4.4 Investigation. Contango is acquiring the Assigned Interest based on its own investigation and for investment for its own account, and not with the view to, or for resale in connection with, any distribution of any part thereof, and it has no present intention of selling, granting any participation in or otherwise distributing the Assigned Interest. Contango has received and reviewed the Partnership Agreement. Contango understands that the Assigned Interest to be purchased has not been registered under the Securities Act of 1933, as amended, or applicable state and other securities laws by reason of a specific exemption from the registration provisions of the Securities Act and applicable state and other securities laws, the availability of which depends upon, among

other things, the bona fide nature of the investment intent and the accuracy of Contango's and O&G's representations as expressed herein.

4.5 Investment Representations.

(a) The Assigned Interest is being acquired by Contango for Contango's own account and for investment purposes only and not with a view to any resale or distribution thereof, in whole or in part, to others, and Contango is not participating, directly or indirectly, in a distribution of the Assigned Interest and will not take, or cause to be taken, any action that would cause Contango to be deemed an "underwriter" of such Assigned Interest as defined in Section 2(11) of the Securities Act of 1933, as amended.

(b) Contango has had access to all materials, books, records, documents, and information relating to the Partnership and has been able to verify the accuracy of, and to supplement, the information contained therein.

(c) Contango has had an opportunity to ask questions of, and receive satisfactory answers from, representatives of Cheniere, Cheniere LNG and/or the Partnership concerning all material aspects of the Partnership and its proposed business, and any request for such information has been fully complied with to the extent Cheniere, Cheniere LNG or the Partnership possesses such information or can acquire it without unreasonable effort or expense.

(d) Contango is an "accredited investor" within the meaning of Rule 501 of the Securities Act of 1933, as amended.

(e) Contango is an investor who has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Partnership based upon (i) the information furnished by Cheniere, Cheniere LNG and the Partnership; (ii) Contango's personal knowledge of the business and affairs of the Partnership; (iii) the records, files, and plans of the Partnership to which Contango has had full access; (iv) such additional information as Contango may have requested and has received

from Cheniere, Cheniere LNG or the Partnership; and (v) the independent inquiries and investigations undertaken by Contango.

(f) No person has made any direct or indirect representation or warranty of any kind to Contango with respect to the economic return which may accrue to Contango. Contango has consulted with its own advisors with respect to an investment in the Partnership.

5. CERTAIN COVENANTS OF THE CONTANGO ENTITIES

5.1 Confidential Information. Contango and O&G hereby agree that, except as required by law, they will not disclose any confidential information to any Person for any purpose whatsoever, including any information related to the Partnership, this Agreement or the terms hereof. In addition, Contango hereby acknowledges that upon the

consummation of the transactions contemplated by this Agreement, Contango shall become bound by the obligations of a limited partner as set froth in the Partnership Agreement including all provisions related to confidentiality. Cheniere shall be entitled to an injunction restraining Contango and/or O&G from disclosing, in whole or in part, any confidential information. Notwithstanding the foregoing, each of the Cheniere Entities acknowledges that in connection with the Closing hereunder, Contango shall issue a press release (the form of which shall be provided in advance to Cheniere) announcing the purchase of the Assigned Interest.

5.2 Further Action; Reasonable Commercial Efforts. Subject to the terms and conditions hereof, each party hereto shall use its reasonable commercial efforts to take, or to cause to be taken, all appropriate action, and to do, or to cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated hereby.

5.3 Partnership Agreement. Effective upon the Closing, Contango shall join in the execution of the Partnership Agreement (including the execution of the attached joinder) and hereby agrees to execute and deliver a counterpart of the Partnership Agreement and any other documents, agreements or certificates requested by the general partner of the Partnership. Contango hereby agrees to be bound by and comply with all the provisions of such Partnership Agreement applicable to it including, but not limited to, any provision that limits or restricts the assignment or transfer of the Assigned Interest.

5.4 Assigned Interest. The parties to this Agreement agree that the Assigned Interest consists of the following rights and obligations:

(a) Distributions. The Assigned Interest shall be entitled to a 10% Percentage Interest (as defined in the Partnership Agreement) with respect to all distributions made pursuant to Sections 5.1(b)(v) and 5.2 of the Partnership Agreement and shall be entitled to distributions in accordance with its Capital Account (as defined in the Partnership Agreement) or its 10% Percentage Interest, as the case may be, in accordance with the provisions of Section 5.4 of the Partnership Agreement. The Assigned Interest shall have no right to any distributions under any other provisions of the Partnership Agreement including under Sections 3.4(b), 5.1(a) or 5.3 of the Partnership Agreement.

(b) Allocation of Profits and Losses. The Assigned Interest shall be allocated the amount of Profit or Loss (as such terms are defined in the Partnership Agreement) allocable to a Limited Partner with a 10% Percentage Interest under the provisions of Article 4 of the Partnership Agreement.

(c) Capital Account. The Assigned Interest shall have a Capital Account as of the Closing Date of $2,333,333, equal to 25% of the Capital Account of Cheniere LNG immediately prior to the Closing, such Capital Account to be adjusted thereafter in accordance with Section 4.1 of the Partnership Agreement.

(d) Obligations of Contango. As the holder of the Assigned Interest, Contango shall have all of the obligations of a Limited Partner of the Partnership with a 10% Percentage Interest, except to the extent otherwise expressly limited pursuant to this Section 5.4.

(e) Rights of Contango. As the holder of the Assigned Interest, Contango shall have the rights to distributions, allocations of Profits and Losses, and Capital Account under the Partnership Agreement set forth in this Section 5.4 and shall have all other

rights of a Substituted Limited Partner (as contemplated by Article XVII of the Partnership Agreement) of the Partnership with a 10% Percentage Interest except the following:

(i) Contango has, and shall have, no right to any distribution under Sections 3.4(b), 5.1(a) or 5.3 of the Partnership Agreement;

(ii) Contango has, and shall have, no approval rights pursuant to Section 10.2 of the Partnership Agreement;

(iii) Contango has, and shall have, no right to consultation pursuant to Section 10.2(c) of the Partnership Agreement;

(iv) Contango has, and shall have, no rights under Section 10.10 of the Partnership Agreement;

(v) Contango has, and shall have, no rights under Section 11.1 of the Partnership Agreement;

(vi) Contango has, and shall have, no rights under Section 12.2(u) of the Partnership Agreement;

(vii) Contango has, and shall have, no approval rights under Section 14.3 of the Partnership Agreement;

(viii) Contango has, and shall have, no rights under Section 14.5(d) or (e) of the Partnership Agreement;

(ix) Contango has, and shall have, no rights under Section 14.6 of the Partnership Agreement; and

(x) Contango has, and shall have, no rights under Section 22.1 of the Partnership Agreement.

(f) Notwithstanding anything to the contrary contained herein, Contango shall not be responsible for any obligation of Cheniere LNG (i) under Section 6.2(g)(iii) of the Partnership Agreement and (ii) to pay the Reimbursement Amount under Section 16.2 of the Partnership Agreement.

5.5 Return of Funds. Contango hereby agrees that in the event it receives any funds from the Partnership that it is not entitled to receive, but to which Cheniere LNG is entitled, whether distributed under Section 5.1, 5.3 or as a result of accelerated payments under Section 3.4(b) or otherwise, then Contango will receive such funds in trust for the benefit of Cheniere LNG and shall immediately assign and deliver such amounts to Cheniere LNG.

6. INDEMNIFICATION

6.1 Survival. The representations, warranties, covenants and agreements of the parties made in this Agreement shall survive (and not be affected in any respect by) the Closing. Notwithstanding the foregoing, the representations and warranties and the right of indemnification with respect to each representation and warranty contained in this Agreement shall terminate on the date (the "Survival Date") occurring sixty (60) days after the second (2nd) anniversary of the Closing Date. The right to indemnification with respect to such representations and warranties, and the liability of either party with respect thereto, shall not terminate with respect to any claim, whether or not fixed as to liability or liquidated as to amount, with respect to which such party has been given written notice prior to the Survival Date.

6.2 Indemnification by Cheniere. The Cheniere Entities shall indemnify, defend, protect and hold harmless Contango and its respective successors and assigns and its directors, officers, employees, attorneys, agents and affiliates (each a "Contango Indemnified Person"), at all times from and after the date of this Agreement (subject to any limitation on the survival of representations and warranties set forth in Section 6.1) against all losses, claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses ("Losses") (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation ("Legal Expenses")) based upon, resulting from or arising out of (a) any inaccuracy or breach of any representation or warranty of the Cheniere Entities contained in this Agreement and (b) the breach by the Cheniere Entities, or the failure by the Cheniere Entities to observe, any of the covenants or other agreements contained in this Agreement.

6.3 Indemnification by Contango. Contango shall indemnify, defend, protect and hold harmless Cheniere, its successors and assigns and its directors, officers, employees, attorneys, agents and affiliates (each a "Cheniere Indemnified Person") at all times from and after the date of this Agreement

(subject to any limitation on the survival of representations and warranties set forth in Section 6.1) against all Losses (including specifically, but without limitation, Legal Expenses) based upon, resulting from or arising out of (a) any inaccuracy or breach of any representation or warranty of Contango contained in this Agreement, and (b) the breach by Contango of, or the failure by Contango to observe, any of its covenants or other agreements contained in or made pursuant to this Agreement.

6.4 Indemnification Procedures.

(a) Promptly after receipt by any person entitled to indemnification under Section 6.2 or 6.3 (an "indemnified party") of notice of the commencement of any action, suit or proceeding by a person not a party to this Agreement in respect of which the indemnified party will seek indemnification hereunder (a "Third Party Action"), the indemnified party shall notify the person that is obligated to provide such indemnification (the "indemnifying party") thereof in writing, but any failure to so notify the indemnifying party shall not relieve it from any liability that it may have to the indemnified party under Section 6.2 or 6.3, except to the extent that the indemnifying party is prejudiced by the failure to give such notice. The indemnifying party shall be entitled to participate in the defense of such Third Party Action and to assume control of such defense (including settlement of such Third Party Action) with counsel reasonably satisfactory to such indemnified party; provided, however, that:

(i) the indemnified party shall be entitled to participate in the defense of such Third Party Action and to employ counsel at its own expense (which shall not constitute Legal Expenses for purposes of this Agreement) to assist in the handling of such Third Party Action;

(ii) the indemnifying party shall obtain the prior written approval of the indemnified party before entering into any settlement of such Third Party Action or ceasing to defend against such Third Party Action, if pursuant to or as a result of such settlement or cessation, injunctive or other equitable relief would be imposed against the indemnified party or the indemnified party would be materially adversely affected thereby;

(iii) no indemnifying party shall consent to the entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by each claimant or plaintiff to each indemnified party of a release from all liability in respect of such Third Party Action; and

(iv) the indemnifying party shall not be entitled to control the defense of any Third Party Action unless the indemnifying party confirms in writing its assumption of such defense and continues to pursue the defense reasonably and in good faith.

After written notice by the indemnifying party to the indemnified party of its election to assume control of the defense of any such Third Party Action in accordance with the foregoing, (i) the indemnifying party shall not be liable to such indemnified party hereunder for any Legal Expenses subsequently incurred by such indemnified party attributable to defending against such Third Party Action, and (ii) as long as the indemnifying party is reasonably contesting such Third Party Action in good faith, the indemnified party shall not admit any liability with respect to, or settle, compromise or discharge the claim underlying, such Third Party Action without the indemnifying party's prior written consent. If the indemnifying party does not assume control of the defense of such Third Party Action in accordance with this Section 6.4, the indemnified party

shall have the right to defend and/or settle such Third Party Action in such manner as it may deem reasonably appropriate at the cost and expense of the indemnifying party provided that the indemnifying party has received written notice of the proposed settlement and the terms thereof, and the indemnifying party will promptly reimburse the indemnified party therefor in accordance with this Section 6. The reimbursement of fees, costs and expenses required by this Section 6 shall be made by periodic payments during the course of the investigation or defense, as and when bills are received or expenses incurred.

(b) If an indemnified party becomes entitled to any indemnification from an indemnifying party pursuant to this Agreement, such indemnification payment shall be made in cash upon demand.

(c) If an indemnified party has actual knowledge of any facts or circumstances other than the commencement of a Third Party Action

which cause in good faith it to believe that it is entitled to indemnification under this Section 6, then such indemnified party shall promptly give the indemnifying party notice thereof in writing, but any failure to so notify the indemnifying party shall not relieve it from any liability that it may have to the indemnified party under Section 6.2 or 6.3, as the case may be, except to the extent that the indemnifying party is prejudiced by the failure to give such notice.

(d) The remedies provided in this Section 6 shall be the exclusive remedy for monetary damages (whether at law or in equity) with respect to matters subject to indemnification under Section 6.2(a) or Section 6.3(a) hereof.

7. ASSIGNMENT AND OFFSET

7.1 Right of First Refusal. In the event Contango (or its permitted transferees or assigns), proposes to or does attempt to transfer, assign, distribute, pledge, hypothecate, encumber or otherwise dispose of ("Transfer") all or any part of the Assigned Interest ("Offered Interest") to any other partner in the Partnership or any affiliate of any partner of the Partnership, the Offered Interest shall be offered for a purchase price payable entirely in cash and shall first be offered for sale to Cheniere in accordance with this Section 7.1. Contango shall deliver a notice to Cheniere (the "Offer Notice") containing a description of the proposed transaction and the terms thereof, including a description of the Interest being sold and such Offer Notice shall contain an offer to sell to Cheniere the Offered Interest. Such offer to sell shall contain the same terms and conditions and shall be for the same consideration as described in the Offer Notice. For a period of 30 business days after such Offer Notice is received by Cheniere, Cheniere may, by notice to Contango accept the offer to acquire such Offered Interest in whole but not in part. Such acceptance shall specify the proposed date for closing such acquisition, which date shall not be later than 90 days from the date the notice of acceptance is sent to Contango. In the event that Cheniere does not agree to purchase the Offered Interest, Contango shall have the right to proceed with the sale or transfer on the terms specified in the Offer Notice; provided, however, that if Contango does not consummate such sale or transfer within 180 days after the date of the Offer Notice or proposes to consummate the transaction on terms that differ in any material respect more favorable to the transferee

from the terms set forth in the Offer Notice, the right of first refusal contemplated by this Section 7.1 shall again be applicable. In the event Contango (or its permitted transferees or assigns) proposes to Transfer all or any part of the Assigned Interest to any other Person, Contango will notify Cheniere at least 30 days prior to consummating a transfer of such portion of the Assigned Interest.

7.2 Offset Right. In the event Contango fails to pay any Additional Amount when due, Cheniere LNG shall have the right to require Contango to reassign to Cheniere LNG, and Contango will transfer to Cheniere LNG, all right, title and interest in and to all or a portion of the Assigned Interest in satisfaction of Contango's obligation to pay the Additional Amount. The amount of such offset shall be equal to (A) Contango's Percentage Interest (as defined in the Partnership Agreement) multiplied by (B) a ratio, the numerator of which shall be the Additional Amount not timely paid, and the denominator of which shall be (i) $2,333,333 multiplied by (ii) 0.9, as follows:

$$\frac{\text{(Contango's Percentage Interest)}}{1} \times \frac{\text{\$(Additional Amount not timely paid)}}{(\$2{,}333{,}333)(0.9)}$$

Contango will take such actions and do all things necessary, proper or advisable in order to effect the transactions contemplated by this Section 7.2.

7.3 Put Option. In the event that Investments exercises its right to withdraw from the Partnership prior to March 31, 2003 pursuant to Section 16.2 of the Partnership Agreement, Contango shall have the right to transfer the Assigned Interest to Cheniere LNG in exchange for the Closing Amount in the form of a promissory note from Cheniere identical to the existing Note and the execution of a security agreement substantially identical to the existing Security Agreement.

7.4 Equitable Relief. The parties hereto agree that legal remedies may be inadequate to enforce the provisions of this Agreement including this Article VII and equitable relief, including specific performance and injunctive relief, may be used to enforce the provisions of this Agreement.

8. CERTAIN DEFINITIONS

"Affiliate" (whether or not capitalized) shall mean, with respect to any person, any other person that directly, or through one or more intermediaries, controls or is controlled by or is under common control with such first person. As used in this definition, "control" shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or other ownership interest, by contract or otherwise).

"Business Day" means each day other than a Saturday, a Sunday, a legal holiday or a day on which commercial banks are authorized or required to be closed in Houston, Texas.

"Encumbrances" shall mean mortgages, liens, pledges, encumbrances (legal or equitable), claims, charges, security interests, covenants, conditions, voting and other

restrictions, rights-of-way, easements, options, encroachments, rights of others and any other matters affecting title, except, in the case of the Assigned Interest, for restrictions on the sale or other disposition thereof imposed by federal or state securities laws.

"Government Authority" shall mean any government or state (or any subdivision thereof), whether domestic, foreign or multinational, or any agency, authority, bureau, commission, department or similar body or instrumentality thereof, or any government court or tribunal.

"Knowledge" shall mean facts that are actually known by any officer or director of the applicable party (without any duty to investigate).

"Legal Requirement" shall mean any law, statute, ordinance, code, rule, regulation, standard, judgment, decree, writ, ruling, arbitration award, injunction, order or other requirement of any Government Authority.

"Person" (whether or not capitalized) shall mean and include an individual, corporation, company, limited liability company, limited liability partnership, partnership, joint venture, association, trust, and other unincorporated organization or entity including any Government Authority.

9. GENERAL

9.1 Cooperation. Cheniere and Contango shall each deliver or cause to be delivered to the other on the Closing Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement.

9.2 Designee; Successors and Assigns. This Agreement and the rights of the parties hereunder shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

9.3 Entire Agreement. This Agreement (including the Exhibits attached hereto and the Schedules delivered pursuant hereto) and the other writings specifically identified herein or contemplated hereby contain the entire agreement and understanding between the Cheniere Entities and the Contango Entities with respect to the transactions contemplated herein and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement may be modified or amended only by a written instrument executed by the Contango Entities and the Cheniere Entities acting through their respective duly authorized officers.

9.4 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

9.5 Brokers and Agents. Each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other

against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

9.6 Payment of Expenses. Each of the parties hereto shall pay all its own costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby. Any sales, use, excise, value added, business, goods and services, transfer, stamp, recording, documentary, registration, conveyancing or similar taxes, duties or other expenses related to the transactions contemplated by this Agreement, applicable to the transfer of the Assigned Interest shall be borne by Contango. Each

party shall use commercially reasonable efforts to avail itself of any available exemptions from any such taxes, and to cooperate with the other party in providing any information and documentation that may be necessary to obtain such exemptions.

9.7 Notices. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person.

(a) If to the Cheniere Entities, addressed to:

Cheniere Energy, Inc.
333 Clay Street, Suite 3400
Houston, Texas 77002
Attention:
Facsimile No.:

with a copy to:

Andrews & Kurth L.L.P.
600 Travis, Suite 4200
Houston, Texas 77002
Attn: Michael Overman
(713) 220-4734 - Telephone
(713) 220-4285 -Facsimile

(b) If to the Contango Entities, addressed to:

Contango Sundance, Inc.
3700 Buffalo Speedway, Suite 960
Houston, Texas 77098
Attention: Kenneth R. Peak
Facsimile No.: 713-960-1065

9.8 Governing Law. This Agreement shall be construed in accordance with the laws of the State of Texas.

9.9 Amendment to Partnership Agreement. Cheniere LNG will not (and will cause its successors and assigns under the Partnership not to) approve or consent to any

amendment to, or waiver under, the Partnership Agreement without the consent of Contango if such amendment would (i) convert Contango's interest into a general partner interest, (ii) modify the limited liability of Contango, (iii) increase the obligations of Contango under the Partnership Agreement, or (iv) materially and disproportionately adversely alter the interest of Contango in profits, losses or distributions.

9.10 Exercise of Rights and Remedies. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to the party as a result of any breach or default by the other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

9.11 No Strict Construction. Notwithstanding the fact that this Agreement has been drafted or prepared by one of the parties, both the Cheniere Entities and the Contango Entities confirm that both they and their respective counsel have reviewed, negotiated and adopted this Agreement as the joint agreement and understanding of the parties, and the language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any person.

9.12 Time. Time is of the essence in this Agreement.

9.13 Survival. The representations, warranties, covenants and agreements of parties made in this Agreement shall survive (and not be affected in any respect by) the Closing.

9.14 Reformation and Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such a manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in

any way be affected or impaired thereby.

(Signature Page Follows)

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

CHENIERE ENERGY, INC.

By: /s/ Charif Souki

Name: Charif Souki
Title: Chairman

CHENIERE LNG, INC.

By: /s/ Charif Souki

Name: Charif Souki
Title: Chairman

CONTANGO SUNDANCE, INC.

By: /s/ Kenneth R. Peak

Name: Kenneth R. Peak
Title: Chairman

CONTANGO OIL & GAS

By: /s/ Kenneth R. Peak

Name: Kenneth R. Peak
Title: Chairman

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED ("ACT"), OR UNDER ANY APPLICABLE STATE SECURITIES LAWS, AND THEY CANNOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR OTHERWISE HYPOTHECATED EXCEPT IN ACCORDANCE WITH THE REGISTRATION REQUIREMENTS OF THE ACT AND SUCH STATE LAWS OR UPON DELIVERY TO THE COMPANY OF AN OPINION OF LEGAL COUNSEL SATISFACTORY TO THE COMPANY THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

Warrant to Purchase Common Stock
of
CHENIERE ENERGY, INC.

This Warrant (this "Warrant") to Purchase Common Stock (as defined below) is issued March 1, 2003, by Cheniere Energy, Inc., a Delaware corporation (the "Company"), to Contango Sundance, Inc. (the "Holder").

1. Issuance of Warrant; Term. The Company hereby grants to Holder, subject to the provisions hereinafter set forth, the right to purchase three hundred thousand (300,000) shares of common stock, $.003 par value per share, of the Company (the "Common Stock"). The shares of Common Stock issuable upon exercise of this Warrant are hereinafter referred to as the "Shares." This Warrant shall be exercisable at any time before 5:00 p.m. (Houston, Texas time) on February 28, 2013 (the "Exercise Period").

2. Exercise Price. This exercise price per share for which all or any of the Shares may be purchased pursuant to the terms of this Warrant shall be $2.50 (the "Exercise Price").

3. Exercise.

(a) This Warrant may be exercised by Holder, from time to time, in whole or in part, at any time prior to the expiration of the Exercise Period, upon Holder's delivery of (i) written notice of intent to the Company at the address of the Company set forth below its signature or such other address as the Company shall designate in writing to Holder, (ii) this Warrant and (iii) payment (in the manner described in Section 3(b) below) for the aggregate Exercise Price of the Shares so purchased. Upon exercise of this Warrant as aforesaid, the Company shall as promptly as practicable, but in no event later than 15 days after delivery of the notice, Warrant and Exercise Price execute and deliver, or cause to be delivered, to Holder a certificate or certificates for the total number of whole Shares for which this Warrant is being exercised in such names and denominations as are requested by Holder. If this Warrant shall be exercised with respect to less than all of the Shares, Holder shall be entitled to receive a new Warrant covering the number of Shares in respect of which this Warrant shall not have been exercised, which new Warrant shall in all other respects be identical to this Warrant.

(b) Payment for the Shares to be purchased upon exercise of this Warrant may be made by the delivery of a certified or cashier's check payable to the Company for the aggregate Exercise Price of the Shares to be purchased.

4. Representations and Warranties of the Company.

(a) Due Incorporation and Good Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of

Delaware, with full and adequate power to carry on and conduct its business as presently conducted, and is duly licensed or qualified in all foreign jurisdictions wherein the failure to be so qualified or licensed would reasonably be expected to have a material adverse effect on the business of the Company.

(b) Due Authorization. The Company has full right, power and authority to enter into, execute and deliver this Warrant and to perform all of its duties and obligations under this Warrant. The execution and delivery of this Warrant will not, nor will the observance or performance of any of the matters and things herein set forth, violate or contravene any provision of the law or the Company's bylaws or certificate of incorporation. All necessary and appropriate corporate action on the part of the Company has been taken to authorize the execution and delivery of this Warrant.

(c) Enforceability. This Warrant has been validly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company enforceable against it in accordance with its respective terms, subject to applicable bankruptcy, insolvency, reorganization or similar laws relating to or affecting the enforcement of creditors' right and to the availability of the remedy of specific performance.

(d) Absence of Conflicts. The execution, delivery and performance by the Company of this Warrant, and the transactions contemplated

hereby, do not constitute a breach or default, or require consents under, any agreement, permit, contract or other instrument to which the Company is a party, or by which the Company is bound, or to which any Company assets are subject, or any judgment, order, writ, decree, authorization or license to which the Company, or the assets of the Company are bound or subject to, or any rule, regulations or statues and will not result in the creation of any lien upon any of the assets of the Company.

(e) Issuance Upon Exercise. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the exercise of this Warrant, such number of its shares of Common Stock as shall from time to time be sufficient to effect the exercise of this Warrant, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the exercise of the entire Warrant, in addition to such other remedies as shall be available to the holder of this Warrant, the Company will use commercially reasonable efforts to take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose. Upon exercise of this Warrant in accordance with the terms hereof, the Shares shall be validly issued, fully paid and nonassessable.

5. Covenants and Conditions.

(a) Neither this Warrant nor the Shares have been registered under the Securities Act of 1933, as amended (the "Act"), or any state securities laws ("Blue Sky Laws"). This Warrant and the Shares have been acquired by the Holder for investment purposes and not with a view to distribution or resale, and the Shares may not be made subject to a security interest, pledged, hypothecated, sold or otherwise transferred without an effective registration statement therefor under the Act and such applicable Blue Sky Laws or an opinion of counsel (which opinion and counsel rendering same shall be reasonably acceptable to the Company) that registration is not required under the Act and under any applicable Blue Sky Laws. The certificates representing the Shares shall bear substantially the following legend:

THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT'), OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAWS, BUT HAVE BEEN ACQUIRED FOR THE PRIVATE INVESTMENT OF THE HOLDER HEREOF AND MAY NOT BE OFFERED, SOLD OR TRANSFERRED UNTIL (I) A REGISTRATION STATEMENT UNDER THE ACT OR SUCH APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (II) IN THE OPINION OF COUNSEL (WHICH OPINION AND COUNSEL SHALL BE REASONABLY SATISFACTORY TO THE COMPANY) REGISTRATION UNDER THE LAW OR SUCH APPLICABLE STATE SECURITIES LAWS IS NOT REQUIRED IN CONNECTION WITH SUCH PROPOSED OFFER, SALE OR TRANSFER.

Other legends as required by applicable federal and state laws may be placed on such certificates. Holder and the Company agree to execute such documents and instruments as counsel for the Company reasonably deems necessary to effect compliance of the issuance of this Warrant and any Shares issued upon exercise hereof with applicable federal and state securities laws.

6. Warrantholder not Stockholder. This Warrant does not confer upon Holder any voting rights or other rights as a stockholder of the Company.

7. Certain Adjustments.

7.1 Capital Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time there shall be a capital reorganization (other than a combination or subdivision of Common Stock otherwise provided for herein), a share exchange (subject to and duly approved by the stockholders of the Company) or a merger or consolidation of the Company with or into another corporation, or the sale of the Company's properties and assets as, or substantially as, an entirety to any other person, then, as a part of such reorganization, share exchange, merger, consolidation or sale, lawful provision shall be made so that Holder shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified in this Warrant and upon payment of the Exercise Price, the number of shares of stock or other securities or property of the Company or the successor corporation resulting from such reorganization, share, exchange, merger, consolidation or sale, to which Holder would have been entitled under the provisions of the agreement in such reorganization, share exchange, merger, consolidation or sale if this Warrant had been exercised immediately before that reorganization, share exchange, merger, consolidation or sale. In any such case, appropriate adjustment (as determined in good faith by the Board) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of Holder after the reorganization, share exchange, merger, consolidation or sale to the end that the provisions of this Warrant (including adjustment of the Exercise Price then in effect and the number of the Shares) shall be applicable after that event, as near as reasonably may be, in relation to any shares or other property deliverable after that event upon exercise of this Warrant.

7.2 Splits and Subdivisions. If the Company at any time or from time to time fixes a record date for the effectuation of a split or subdivision of the outstanding shares of Common Stock or the determination of the holders of Common Stock entitled to receive a dividend or other distribution payable in additional shares of Common Stock or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional shares of Common Stock (hereinafter referred to as the "Common Stock Equivalents") without

payment of any consideration by such holder for the additional shares of Common Stock or Common Stock Equivalents, then, as of such record date (or the date of such distribution, split or subdivision if no record date is fixed), the Exercise Price shall (i) in the case of a split or subdivision, be appropriately decreased and the number of the Shares shall be appropriately increased in proportion to such increase of outstanding shares and (ii) in the case of a dividend or other distribution, the holder of the Warrant shall have the right to acquire without additional consideration, upon exercise of the Warrant, such property or cash as would have been distributed in respect of the shares of Common Stock for which the Warrant was exercisable had such shares of Common Stock been outstanding on the date of such distribution.

7.3 Combination of Shares. If the number of shares of Common Stock outstanding at any time after the date hereof is decreased by a combination or reverse stock split of the outstanding shares of Common Stock, the Exercise Price shall be appropriately increased and the number of the Shares shall be appropriately decreased in proportion to such decrease in outstanding shares.

7.4 Adjustments for Other Distributions. In the event the Company shall declare a distribution payable in securities of other persons, evidences of indebtedness issued by the Company or other persons, assets (excluding cash dividends) or options or rights not referred to in Section 7.2, upon exercise of this Warrant, Holder shall be entitled to a proportionate share of any such distribution as though Holder was the holder of the number of shares of Common Stock of the Company into which this Warrant may be exercised as of the record date fixed for the determination of the holders of Common Stock of the Company entitled to receive such distribution.

7.5 Certificate as to Adjustments. In the case of each adjustment or readjustment of the Exercise Price pursuant to this Article 7, the Company will promptly compute such adjustment or readjustment in accordance with the terms hereof and cause a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based to be delivered to Holder. The Company will, upon the written request at any time of Holder, furnish or cause to be furnished to Holder a certificate setting forth:

(a) Such adjustment and readjustments;

(b) The Exercise Price at the time in effect; and

(c) The number of Shares and the amount, if any, of other property at the time receivable upon the exercise of the Warrant.

7.6 Notices of Record Date, etc. In the event of:

(a) Any taking by the Company of a record of the holders of any class of securities of the Company for the purpose of determining the holders thereof who are entitled to receive any dividends or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right; or

(b) Any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any transfer of all or substantially all of

the assets of the Company to any other person or any consolidation, share exchange or merger involving the Company; or

(c) Any voluntary or involuntary dissolution, liquidation or winding up of the Company,

The Company will mail to Holder at least 20 days prior to the earliest date specified in this Section 7.6, a notice specifying:

(i) The date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right; and

(ii) The date on which any such reorganization, reclassification, transfer, consolidation, share exchange, merger, dissolution, liquidation or winding up is expected to become effective and the record date for determining stockholders entitled to vote thereon.

8. Registration Rights.

8.1 Right to Include Registrable Securities (Piggyback Registration). Except as set forth below, if the Company at any time proposes or is required to file a Registration Statement under the Act covering any of its securities, whether or not for its own account, other than (i) a registration on Form S-4, Form S-8, or any successor or similar forms, or (ii) a shelf registration under Rule 415 under the Act for the sole purpose of registering shares to be issued in connection with the acquisition of assets, whether or not for sale for its own account, it will each such time give prompt written notice to the Holder of its intention to do so and of the Holder's rights under this Section 8.1. Upon the written request of the Holder made within 30 days after the receipt of any such notice (which request shall specify the Shares intended to be disposed of by the Holder and the intended method of disposition thereof), the Company will use its best efforts to effect the registration under the Act of all Shares which the Company has been so requested to register by the Holder, to the extent required to permit the disposition in accordance with the intended methods of disposition, by inclusion of such Shares in the Registration Statement which covers the securities that the Company proposes to register ("Piggyback Right"); provided, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the Registration Statement filed in connection with such registration, the Company shall determine for any reason either not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to the Holder and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Shares in connection with such registration (but not from its obligation to pay the registration expenses in connection therewith), without prejudice and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Shares, for the same period as the delay in registering such other securities. There is no limitation on the number of such piggyback registrations pursuant to this Section 8 which the Company is obligated to effect.

(a) Priority in Piggyback Registrations. If (i) a registration pursuant to Section 8.1 involves an underwritten offering of the securities being registered, whether or not for sale for the account of the Company, to be distributed by or through one or more underwriters under underwriting terms appropriate for such a transaction, and (ii) the managing underwriter of such underwritten offering shall inform the Company and the Holder by letter that

marketing factors require a limitation of the number of securities (including the Shares) to be underwritten (such writing to state the basis of such belief and the approximate number of such securities which may be distributed without such effect), then the underwriter(s) may exclude shares (including the Shares) from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated as follows: (1) if the Company initiates the registration, first, to the Company and second, to the Holder or any other person or entity exercising piggyback registration rights on a pro rata basis based on the total number of Shares or shares of Common Stock then held by such Holder or other person or entity; or (2) if a person or entity (including the Holder) is exercising demand registration rights, first, to such person or entity or Holder exercising such demand registration rights, second, to the Company, and third, to the Holder or any other person or entity exercising piggyback registration rights on a pro rata basis based on the total number of Common Stock or Shares then held by the Holder or such other person or entity. In the event that the underwriters determine that the total amount of securities requested to be included in the Offering exceeds the amount that the underwriters determine is compatible with the success of the Offering, then the Company shall provide written notice of such determination to the Holder.

(b) Holder's Right to Withdraw. The Holder shall have the right to withdraw its request for inclusion of its Shares in any registration statement pursuant to Section 7.1 by giving written notice to the Company of its request to withdraw; provided, however, that (i) such request must be made in writing prior to the earlier of the execution of the custody agreement with respect to such registration and (ii) such withdrawal shall be irrevocable and, after making such withdrawal, the Holder shall no longer have any right to include Shares in the registration as to which such withdrawal was made.

8.2 Demand Registration. Except as provided in Section 8.2(d) below, the Holder shall be entitled to one Demand Registration Request (as defined herein). Subject to this Section 8.2, the Holder shall have the right to require the Company to file a registration statement under the Act covering the Shares by delivering a written request therefor to the Company specifying the Shares to be included in such registration by the Holder and the intended method of

distribution thereof. Any such request pursuant to this Section 8.2 is referred to herein as a "Demand Registration Request" and the registration so requested is referred to herein as the "Demand Registration."

(a) Registration. The Company shall, as expeditiously as possible following the Demand Registration Request, use best efforts to effect such registration under the Act (including, without limitation, by means of a shelf registration pursuant to Rule 415 under the Act if so requested and if the Company is then eligible to use such a registration) of the Shares which the Company has been so requested to register, for distribution in accordance with such intended method of distribution.

(b) Limitations on Requested Registration. The rights of the Holder to request a Demand Registration pursuant to this Section 8.2 are subject to the following limitations: (1) except as provided in Section 8.2(d), in no event shall the Holder be entitled to more than one Demand Registration Requests and (2) Holder shall have no rights under this Section 8.2 if the Holder has participated in a Demand Registration in a 90-day period preceding the request.

(c) Company Registration. During the period starting with the date of filing of, and ending on a date 180 days after the effective date of, a registration subject to Section 8.1 hereof, the Company shall not be obligated to effect, or take any action to effect,

any registration pursuant to this Section 8.2; provided that the Company is actively employing good faith and commercially best efforts to cause such registration statement to become effective. In the event that the Company determines not to pursue a registration or to withdraw a registration that has been filed, notice of such action will be provided promptly by the Company to the Holder.

(d) Underwriting Requirements. If the Holder intends to distribute the Shares by means of an underwriting, it shall so advise the Company as a part of its request made pursuant to this Section 8.2. The underwriter will be selected by the Holder and shall be reasonably acceptable to the Company. All persons, including the Holder, proposing to distribute their Common Stock through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting. Notwithstanding any other provisions of this Section 8.2, if the underwriter advises the Holder in writing that marketing factors require a limitation of the number of shares to be underwritten, then the number of Shares and other securities that may be included in the underwriting shall be allocated first, to the Holder, second, to the Company, and third, to any other person or entity of whose Common Stock the Company has agreed may be included in the offering or any other person exercising piggyback registration rights on a pro rata basis. In the event that notice is received from the underwriter that the number of shares to be underwritten should be limited, and as a result of such limitation Holder will continue to hold 200,000 or more Shares, then the offering shall not be deemed to be a Demand Registration Request.

8.3 Expenses. All expenses incurred in connection with a Demand Registration pursuant to this Article 8, including without limitation all registration and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements of one counsel for Holder (but excluding underwriters' discounts and commissions), shall be borne by the Company. The Holder shall bear such Holder's proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all discounts, commissions or other amounts payable to underwriters or brokers in connection with such offering. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to this Article 8 if the registration request is subsequently withdrawn at the request of the Holder, unless the Holder agrees to forfeit its right to one Demand Registration; provided, further, however, that if at the time of such withdrawal, the Holder has learned of a material adverse change in the condition, business, or prospects of the Company not known to the Holder at the time of its request for such registration and has withdrawn its request for registration with reasonable promptness after learning of such material adverse change, then the Holder shall not be required to pay any such expenses and shall retain its rights pursuant to this Article 8.

8.4 Obligations of the Company. Whenever required to effect the registration of any Shares under this Agreement, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the Securities and Exchange Commission ("SEC") a registration statement with respect to such Shares and use reasonable, diligent efforts to cause such registration statement to become effective, and, upon the request of the Holder registered thereunder, keep such registration statement effective for up to 90 days;

(b) prepare and file with the SEC such amendments and

supplements to such registration statement and the prospectus used in connection with such registration

statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish to the Holder a copy of the prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as Holder may reasonably request in order to facilitate the disposition of the Shares owned by it that are included in such registration;

(d) use reasonable, diligent efforts to register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holder, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. The Holder shall also enter into and perform its obligations under such an agreement;

(f) notify the Holder at any time when a prospectus relating to the Shares is required to be delivered under the Act, of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) furnish, at the request of Holder, on the date that Shares are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective:

(i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to the Holder requesting registration, addressed to the underwriters, if any, and to the Holder; and

(ii) a "comfort" letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to the Holder requesting registration, addressed to the underwriters, if any, and to the Holder.

8.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Article 8 that the Holder shall furnish to the Company such information regarding itself, the Shares held by it, and the intended method of disposition of such securities as shall be required to timely effect the registration of the Shares.

8.6 Indemnification. In the event any Shares are included in a registration statement under Sections 8.1 or 8.2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless the Holder, the shareholders, partners, members, officers and directors of the Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the Securities and Exchange Act of 1934, as amended (the "1934 Act") against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively, "Violations" and, individually, a "Violation"):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;

(ii) the omission or alleged omission to state therein a

material fact required to be stated therein, or necessary to make the statements therein not misleading; or

(iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any federal or state securities law or any rule or regulation promulgated under the Act, the 1934 Act or any federal or state securities law in connection with the offering covered by such registration statement; and

(iv) the Company will reimburse Holder, shareholder, partner, member, Manager, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided however, that the indemnity agreement contained in this Section 8.6(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, shareholder, partner, member, officer, director, underwriter or controlling person of Holder.

(b) To the extent permitted by law, the Holder will indemnify and hold harmless (i) the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Act and (ii) any underwriter, against any losses, claims, damages or liabilities to which the Company or any such director, officer, controlling person or underwriter may become subject under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by Holder expressly for use in connection with such registration; and Holder will reimburse any legal or other expenses reasonably

incurred by the Company or any such director, officer, controlling person or underwriter in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 8.6(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further, that the total amounts payable in indemnity by a Holder under this Section 8.6(b) in respect of any Violation shall not exceed the net proceeds received by Holder in the registered offering out of which such Violation arises.

(c) Promptly after receipt by an indemnified party under this Section 8.6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 8.6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 8.6, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 8.6.

(d) Defect Eliminated in Final Prospectus. The foregoing indemnity agreements of the Company and Holder are subject to the condition that, insofar as they relate to any Violation made in a preliminary prospectus but eliminated or remedied in the amended prospectus on file with the SEC at the time the registration statement in question becomes effective or the amended prospectus filed with the SEC pursuant to SEC Rule 424(b) (the "Final Prospectus"), such indemnity agreement shall not inure to the benefit of any person if a copy of the Final Prospectus was furnished to the indemnified party and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Act.

8.7 Survival. The obligations of the Company and Holder under Section 8.6 shall survive the completion of any offering of Shares in a registration statement, and otherwise.

8.8 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the Shares to the public without registration, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Act, at all times after the date hereof;

(b) Use reasonable, diligent efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act; and

(c) So long as Holder owns the Warrant or any Shares, to furnish to the Holder upon request a written statement by the Company as to its compliance with the reporting requirements of said Rule 144, and of the Act and the 1934 Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company as the Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such securities without registration.

9. Fractional Shares. The Company shall not be required to issue a fractional share upon the exercise of this Warrant the aggregate number of shares issuable will be rounded up to the nearest full share.

10. Split-Up, Combination, Exchange and Transfer of Warrants. Subject to and limited by the provisions of Section 5(a) hereof, this Warrant at the request of the Holder may be split up, combined or exchanged for another Warrant or Warrants containing the same terms and entitling the Holder to purchase a like aggregate number of Shares. If the Holder desires to split up, combine or exchange this Warrant, the Holder shall make such request in writing delivered to the Company and shall surrender to the Company this Warrant and any other Warrants to be so split up, combined or exchanged. Upon any such surrender for a split-up, combination or exchange, the Company shall execute and deliver to the person entitled thereto a Warrant or Warrants, as the case may be, as so requested. The Company shall not be required to effect any split-up, combination or exchange which will result in the issuance of a Warrant that would entitle the Warrantholder to purchase upon exercise a fraction of a share of Common Stock or a fractional Warrant. The Company may require such Holder to pay a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any split-up, combination or exchange of Warrants.

11. Successors and Assigns. All the covenants and provisions of this Warrant shall bind and inure to the benefit of the Company's successors and assigns, and successors and permitted assigns of Holder.

12. Governing Law. This Warrant shall be governed by and construed in accordance with the laws, and not the laws of conflicts, of the State of Delaware. The Holder hereby consents and agrees to submit to the jurisdiction in the United States of the District Court of the State of Texas located in Harris County or of the United States District Court for the Southern District of Texas for any action or proceeding brought by the Company arising under this Warrant and to the venue of such action or proceeding in such courts.

CHENIERE ENERGY, INC.

By: /s/ Charif Souki

Name: Charif Souki
Title: Chairman

EXHIBIT 99.1

CHENIERE ENERGY INC. NEWS RELEASE

CONTACT: David Castaneda
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Cheniere Energy Closes On Partnership to Fund Freeport, TX LNG Terminal
Michael Smith's Freeport Investments LLC Acquires a 60% Interest
Contango Oil & Gas Acquires 10%

Houston - March 3, 2003 - Cheniere Energy, Inc. (AMEX: CXY) announced today that it closed on the previously announced agreement to sell a 60% stake in its Freeport, Texas Liquefied Natural Gas (LNG) receiving terminal project to Michael S. Smith's Freeport Investments, LLC. Freeport Investments will pay Cheniere $5,000,000 in four installments and contribute an additional $9,000,000 to the development of the project without further capital contribution by Cheniere. Cheniere and Investments formed Freeport LNG Development LP, a limited partnership to develop the project. Michael Smith is the CEO of Freeport LNG Development LP.

In a related event, Contango Oil & Gas Company (AMEX: MCF) exercised its option from Cheniere to acquire a 10% interest in Freeport Development for a price of $2,333,333, payable in installments. Cheniere will retain a 30% interest in the project. Petrie Parkman & Co. acted as financial advisor to Cheniere in connection with the transactions.

Charif Souki, Chairman and CEO of Cheniere, said, "These two transactions will recover the company's investment in the project and secure a 30% interest through the development stage until the permits are obtained and the project is ready for its construction phase. In the two years since we acquired the option on the Freeport site, we conducted a variety of technical, feasibility, marketing, engineering, and environmental studies to validate the project. Development has executed a 30-year lease at the site and expects to file its application with the Federal Energy Regulatory Commission later this month. Early on, Michael Smith and Ken Peak, CEO of Contango, recognized the critical importance of LNG to our nation's natural gas supply and have been enormously supportive to our effort. We are delighted with our association with both of them. We expect that Michael will guide Freeport Development to great success."

Cheniere Energy has also secured options on three additional sites for LNG Receiving Terminals in Sabine Pass, Corpus Christi, and Brownsville, Texas.

Cheniere Energy is a Houston-based energy company. Cheniere conducts exploration in the Gulf of Mexico using a regional database of 7,000 square miles of 3D seismic coverage. It owns 9% of Gryphon Exploration Company, with Warburg, Pincus Equity Partners, L.P. owning the other 91%. Cheniere is also developing four sites for LNG receiving facilities along the Texas Gulf Coast. Additional information on the company may be found on its website at www.cheniere.com, by contacting the company's investor and media relations department toll-free at (888) 948-2036 or by writing to: cxy@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.