

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

<TABLE>			
<S>	<C>		<C>
DELAWARE	1382		95-4352386
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)		(I.R.S. Employer Identification No.)

CHENIERE ENERGY, INC.
TWO ALLEN CENTER
1200 SMITH STREET, SUITE 1710
HOUSTON, TEXAS 77002-4312
(713) 659-1361

(Address, including zip code and telephone number, including area code, of
registrant's principal executive offices)

WILLIAM D. FORSTER
PRESIDENT AND CHIEF EXECUTIVE OFFICER
CHENIERE ENERGY, INC.
TWO ALLEN CENTER
1200 SMITH STREET, SUITE 1710
HOUSTON TEXAS 77002-4312
(713) 659-1361

(Name, address, including zip code, and telephone number, including area code,
of agent for service)

Copies of all communications, including all communications sent
to the agent for service, should be sent to:
CAMILLE ABOUSLEIMAN, ESQ.
DEWEY BALLANTINE
1301 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10019
(212) 259-8000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as
practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a
delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box: [X]

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following box
and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering: [] _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under
the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering: [] _____

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box: [] _____

<TABLE>
<CAPTION>

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF AMOUNT OF SECURITIES TO BE REGISTERED REGISTRATION FEE (2)	NUMBER OF SHARES TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)
Common Stock, par value \$0.003 per share..... \$3,127.00	2,844,211	\$3.1875	\$9,065,922.56

- (1) Estimated solely for purposes of determining the registration fee pursuant to Rule 457 under the Securities Act of 1933.
 (2) Calculated pursuant to Rule 457(a).
 </TABLE>

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

CHENIERE ENERGY, INC.

FORM S-1
 REGISTRATION STATEMENT

<TABLE>
 <CAPTION>

<S> CROSS-REFERENCE SHEET PURSUANT TO ITEM 501(B) OF REGULATION S-K <C>

ITEM IN FORM S-1 -----	LOCATION IN PROSPECTUS -----
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front Cover and Outside Back Cover Pages
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Outside Front Cover Page; Prospectus Summary; Risk Factors
4. Use of Proceeds.....	Use of Proceeds
5. Determination of Offering Price.....	Not Applicable
6. Dilution.....	Not Applicable
7. Selling Security Holders.....	Selling Stockholders
8. Plan of Distribution.....	Plan of Distribution
9. Description of Securities to be Registered.....	Description of Capital Stock
10. Interests of Named Experts and Counsel.....	Not Applicable
11. Information with Respect to the Registrant	
(a) Description of Business.....	Prospectus Summary; The Company; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business and Properties
(b) Description of Property.....	Business and Properties - Properties
(c) Legal Proceedings.....	Business and Properties - Legal Proceedings
(d) Common Equity Securities.....	Market Price and Dividend Information; Description of Capital Stock
(e) Financial Statements.....	Index to Financial Statements
(f) Selected Financial Data.....	Selected Financial Data
(g) Supplementary Financial Information.....	Not Applicable
(h) Management's Discussion and Analysis of Results of Operations and Financial Condition.....	Management's Discussion and Analysis of Financial Condition and Results of Operations
(i) Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.....	Not Applicable
(j) Directors and Executive Officers.....	Management
(k) Executive Compensation.....	Management - Director Compensation; Executive Compensation
(l) Security Ownership of Certain Beneficial Owners and Management.....	Principal Stockholders
(m) Certain Relationships and Related Transactions.....	Management - Certain Relationships and Transactions with Management
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	Not Applicable

</TABLE>

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes

effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION,
PRELIMINARY PROSPECTUS DATED AUGUST 27, 1996

PROSPECTUS

2,844,211 SHARES

CHENIERE ENERGY, INC.
COMMON STOCK
(PAR VALUE \$.003 PER SHARE)

This Prospectus relates to 2,844,211 shares of issued and outstanding common stock of Cheniere Energy, Inc., a Delaware corporation (the "Company" or "Cheniere"), par value \$.003 per share (the "Common Stock"), to be registered pursuant to previously granted registration rights. See "Description of Capital Stock". The Common Stock was originally issued by Cheniere to a number of "accredited investors" (as defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended (the "Securities Act")), pursuant to Regulation D promulgated under the Securities Act.

The Common Stock (ticker symbol "CHEX") is traded on the over-the-counter market and quoted on the OTC Bulletin Board (the "Bulletin Board"). On August 22, 1996, the last reported sale price of the Common Stock on the Bulletin Board was \$3.125 per share.

The Common Stock has been registered for sale by Selling Stockholders (as defined herein) and may be offered by Selling Stockholders from time to time in transactions in the over-the-counter market, in negotiated transactions or a combination of such methods of sale, in each such case, at fixed prices which may be changed, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. The Selling Stockholders may effect such transactions by selling shares of the Common Stock to or through broker-dealers, and such broker-dealers may receive compensation in the form of discounts, concessions or commissions from Selling Stockholders and/or purchasers of the Common Stock for whom such broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions). To the extent required, shares of the Common Stock, the name of the Selling Stockholder, the public offering price, the names of any such agent, dealer or underwriter, and any applicable commission or discount with respect to any particular offer will be set forth in an accompanying Prospectus Supplement. See "Selling Stockholders" and "Plan of Distribution".

None of the proceeds from the sale of the Common Stock will be received by the Company. The Company has agreed, among other things, to bear all expenses (other than underwriting discounts and commissions, fees and expenses of investment bankers and brokerage commissions) incurred in connection with the registration and sale of the Common Stock covered by this Prospectus, including, without limitation, all registration, listing and qualification fees, printers and accounting fees and fees and disbursements of counsel to the Company.

SEE "RISK FACTORS" BEGINNING ON PAGE 4 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SECURITIES OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is August __, 1996

SUMMARY

The following summary is qualified in its entirety by the detailed information and financial statements and the notes thereto appearing elsewhere in this Prospectus.

THE COMPANY

GENERAL

Cheniere Energy, Inc., a holding company ("Cheniere," together with Cheniere Operating (as defined below), the "Company"), is the owner of 100% of the outstanding common stock of Cheniere Energy Operating Co., Inc. ("Cheniere Operating"). Cheniere Operating is a Houston-based company formed for the purpose of oil and gas exploration and exploitation. The Company is currently involved in a joint exploration program which is engaged in the exploration for oil and natural gas along the Gulf Coast of Louisiana, onshore and in the shallow waters of the Gulf of Mexico. The Company commenced its oil and gas

activities through such joint program in April 1996.

The Company is involved with one major project in the pre-drilling stage. The Company has entered into a joint exploration program pursuant to an Exploration Agreement between the Company and Zydeco Exploration, Inc. ("Zydeco"), an operating subsidiary of Zydeco Energy, Inc., with regard to a new proprietary 3-D seismic exploration project in southern Louisiana (the "3-D Joint Venture"). The Company has the right to earn up to a 50% participation in the 3-D Joint Venture. The Company believes that the 3-D seismic survey (the "Survey") is the first of its size within the Transition Zone of Louisiana, an area extending a few miles on either side of the Louisiana State coastline. The Survey is to be conducted over certain areas located within a total area of approximately 255 square miles running 5 miles south and generally 3 to 5 miles north of the coastline in the most westerly 28 miles of West Cameron Parish, Louisiana (the "Survey AMI"). The 3-D Joint Venture does not currently have rights to survey the entire Survey AMI and the extent of the Survey AMI which the 3-D Joint Venture will be entitled to survey is dependent upon its ability to obtain survey permits and similar rights. Currently, the 3-D Joint Venture has permits and similar rights to survey approximately 67% of the Survey AMI and is attempting to acquire rights to Survey additional portions of the Survey AMI. There is no assurance that the 3-D Joint Venture will successfully obtain rights to survey additional portions of the Survey AMI. The 3-D Joint Venture will survey specific sections selected by it within the areas covered by such permits and rights. A seismic data acquisition contract has been signed and shooting is expected to begin in early September.

On July 26, 1996, the Company signed a Letter of Intent with Poseidon Petroleum, LLC ("Poseidon") to purchase Poseidon's 47% working interest in undeveloped reserves in the Bonito Unit of the Pacific Outer Continental Shelf, offshore Santa Barbara County, California (the "Poseidon Interest"). The parties are conducting due diligence and are negotiating a definitive purchase and sale agreement and related documentation. The transactions contemplated in the Letter of Intent may be terminated by either party upon the occurrence of certain events and there can be no assurance that the Company will successfully consummate such transactions. Moreover, if such transactions are consummated, the Company expects that development of the reserves will not occur for at least five years. There can be no assurance that the Company will successfully develop the reserves or that the reserves will yield sufficient quantities of oil and gas to be economically viable.

The Company has not yet established oil and gas production, nor has it booked proven oil and gas reserves.

2

BUSINESS STRATEGY

The Company's objective is to expand the net value of its assets by growing its oil and gas reserves in a cost efficient manner. The Company intends to pursue this objective by following an integrated strategy that includes the following elements:

. FOCUS ON FEW PROJECTS WITH LARGE RESERVE POTENTIAL.

Louisiana Gulf Coast Transition Zone. The Company's current activities are focused within one area, the Transition Zone of Louisiana. The Company believes that the Transition Zone, including the westernmost 28 miles of Louisiana coastline that are within the Survey AMI, has significant remaining undiscovered reserves. The 3-D Joint Venture therefore plans to focus its efforts on certain areas, all located within the Survey AMI. In addition, the substantial infrastructure along the Gulf Coast and in the shallow Gulf of Mexico permits the Company to lower its operating costs compared to those in other geographic regions and facilitates the timely development of oil and gas discoveries. The Company's officers and Zydeco have extensive experience both onshore and offshore in the Gulf Coast and believe the 3-D Joint Venture is well positioned to evaluate, explore and develop properties in the area.

Offshore California. The Company has signed a Letter of Intent with Poseidon to purchase Poseidon's 47% working interest in undeveloped reserves in the Bonito Unit of the Pacific outer continental shelf, offshore Santa Barbara County, California. An independent reserve report is being prepared to determine an estimate of the volume of undeveloped oil and gas reserves attributable to the Poseidon Interest. The parties are conducting due diligence and are negotiating a definitive purchase and sale agreement and related documentation. The transactions contemplated in the Letter of Intent may be terminated by either party upon the occurrence of certain events and there can be no assurance that the Company will successfully consummate the transactions contemplated by the Letter of Intent with Poseidon. Moreover, if such transactions are consummated, the Company expects that development of the reserves will not occur for at least five years. There can be no assurance that the Company will successfully develop the reserves or that the reserves will yield sufficient quantities of oil and gas to be economically viable.

. MAINTAIN A SIGNIFICANT WORKING INTEREST IN EACH PROJECT. The Company has the right to earn up to a 50% participation in the 3-D Joint Venture. Under the terms of the Exploration Agreement, the Company must timely meet its payment obligations to the 3-D Joint Venture in order to reach a 50% participation. The Company does not intend to be an operator in the area, but intends to maintain a significant working interest to better leverage its administrative

and technical resources and to better influence operator decisions.

- . UTILIZE THE LATEST EXPLORATION, DEVELOPMENT AND PRODUCTION TECHNOLOGY. The Company intends to use the latest technology to enhance the efficiency and economy of its exploration, development and production efforts. These include the use of advanced 3-D seismic acquisition and processing techniques in the Survey AMI.
- . CONTROL OVERHEAD COSTS. The Company plans to maintain a small, but experienced working staff, and to leverage their talents by focusing on a relatively few projects which have high reserve potential in which it can obtain a high working interest, and to employ outside consultants and seek industry partners with the appropriate geographic and technical experience. Currently, the Company has no employees other than its executive officers and one administrative assistant.

3

RISK FACTORS

An investment in the common stock, par value \$.003 per share, of the Company (the "Common Stock") involves a significant degree of risk. The following factors, together with the information provided elsewhere in this Prospectus, should be considered carefully in evaluating an investment in the Common Stock of the Company.

FACTORS RELATING TO THE COMPANY

Limited Operating History

Cheniere Energy, Inc., a holding company ("Cheniere," together with Cheniere Operating (as defined below), the "Company"), is the owner of 100% of the outstanding common stock of Cheniere Energy Operating Co., Inc. ("Cheniere Operating"). The Company has a limited operating history with respect to its oil and gas exploration activities which were commenced through a joint exploration program in April 1996 by Cheniere Operating. Following a reorganization with Bexy Communications, Inc. ("Bexy"), Cheniere Operating became a wholly-owned subsidiary of Cheniere. From its inception through July 31, 1996, Cheniere Operating incurred cumulative losses of \$27,352. The Company is likely to continue to incur losses during 1997, and possibly beyond, depending on whether it generates sufficient revenue from producing reserves acquired either through acquisitions or drilling activities.

Limited Assets

The Company has not yet established oil and gas production, nor has it booked proven oil and gas reserves. Currently, the Company's primary asset is its interest in a joint exploration program pursuant to an Exploration Agreement (the "Exploration Agreement") between the Company and Zydeco Exploration, Inc. ("Zydeco") with regard to a new proprietary 3-D seismic exploration project in Southern Louisiana (the "3-D Joint Venture"). Therefore, the Company is highly dependent on the success of the 3-D Joint Venture and the Company's ability to acquire operating assets in the future. While the Company has signed a Letter of Intent to purchase a working interest in undeveloped reserves in the Bonito Unit of the Pacific Outer Continental Shelf, offshore Santa Barbara County, there is no assurance that the Company will successfully consummate the transactions contemplated by such Letter of Intent. Moreover, if such transactions are consummated, the Company expects that development of the reserves will not occur for at least five years. There can be no assurance that the Company will successfully develop the reserves or that the reserves will yield sufficient quantities of oil and gas to be economically viable. See "Business and Properties."

Need for Additional Financing

The Company presently has no operating revenues and does not expect to generate substantial operating revenues in the foreseeable future. It is expected that the Company will need substantial additional capital in order to sustain operations and to timely make required payments to the 3-D Joint Venture and to holders of outstanding promissory notes of the Company. Such additional capital will also be necessary in order for the Company to acquire additional oil and gas leases, producing properties or to drill wells on potential prospects. Additional capital may be secured from a combination of funding sources that may include borrowings from financial institutions, debt offerings (which would increase the leverage of the Company and add to its need for cash to service such debt), additional offerings of the Company's equity securities (which could cause substantial dilution of the Common Stock), or sales of portions of the Company's interest in the 3-D Joint Venture (which would reduce any future revenues from the 3-D Joint Venture). The Company's ability to access additional capital will depend on its results of operations and the status of various capital markets at the time such additional capital is sought. Accordingly, there can be no assurances that capital will be available to the Company from any source or that, if available, it will be on terms acceptable to the Company. Should sufficient additional financing not be available, the Company will be unable to make required payments to the 3-D Joint Venture and/or to holders of outstanding promissory notes of the Company. See "Management Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Timeliness of 3-D Joint Venture Payments

Under the terms of the Exploration Agreement, the Company is required to make monthly payments to the 3-D Joint Venture aggregating, at least, \$13 million, \$4 million of which has been paid by the Company to date. The Company's potential participation in the 3-D Joint Venture could be significantly reduced in the event of a failure by the Company to make such required monthly payments when due. The Company has in the past failed to make such payments when due. While the Company has in such instances succeeded in obtaining waivers under, and amendments to, the Exploration Agreement extending the due dates for such payments, there can be no assurance that the Company will successfully obtain similar amendments should it fail to timely make required payments to the 3-D Joint Venture in the future. The Company currently does not have sufficient capital to meet its future payment obligations and there can be no assurance that the Company will successfully secure the necessary funds. See "Business and Properties - 3-D Joint Venture Exploration Agreement."

Potential Acquisition of Working Interest in California Offshore Oil Reserves

On July 26, 1996 the Company signed a Letter of Intent to purchase a 47% working interest in undeveloped reserves in the Bonito Unit of the Pacific Outer Continental Shelf, offshore Santa Barbara County, California. The parties are currently conducting due diligence and are in the process of negotiating a definitive purchase and sale agreement. The transactions contemplated in the Letter of Intent may be terminated by either party upon the occurrence of certain events and there can be no assurance that the Company will consummate such transactions. Moreover, if such transactions are consummated, the Company expects that development of the reserves will not occur for at least five years. There can be no assurance that the Company will successfully develop the reserves or that the reserves will yield sufficient quantities of oil and gas to be economically viable. See "Business and Properties."

Completion of Spin-off of Mar Ventures Inc.

Prior to the reorganization of Cheniere Operating with Bexy, the existing assets and liabilities of Bexy were transferred to its wholly-owned subsidiary, Mar Ventures Inc. ("Mar Ventures"). As part of such reorganization, it is intended that the stock of Mar Ventures be distributed to the stockholders of record of Bexy prior to the reorganization (the "Original Bexy Stockholders"). Such distribution has not yet occurred. Mar Ventures has made certain necessary filings with the United States Securities and Exchange Commission (the "Commission") in connection with the distribution of its stock. There can be no assurance that such filings with the Commission will become effective or that the distribution of Mar Ventures stock will be accomplished as intended. In the event such distribution is not successful, the Company intends to liquidate Mar Ventures. In addition, Buddy Young, the former President and chief executive officer of Bexy, has agreed to indemnify the Company against certain losses associated with Mar Ventures. See "Business and Properties - Mar Ventures Inc."

Lack of Liquidity of the Common Stock

There is currently limited liquidity in the trading of the Common Stock. The completion of the offering of the Common Stock provides no assurance that the trading market for the Common Stock will become more active. The Company intends to apply for a Nasdaq SmallCap Market listing as soon as is practicable. There can be no assurance that the Company will qualify for such listing.

Possible Issuance of Additional Shares

The Company's Certificate of Incorporation authorizes the issuance of 20,000,000 shares of the Common Stock. As of August 20, 1996, approximately 53% of the shares of the Common Stock remained unissued. The Company's Board of Directors has the power to issue any and all of such shares without shareholder approval. It is likely that the Company will issue shares of the Common Stock, among other reasons, in order to raise capital to sustain operations, make required payments to the 3-D Joint Venture and/or to finance future oil and gas exploration projects. In addition, the Company has reserved 209,666 and 2/3 shares of the Common Stock for issuance upon the exercise of outstanding warrants and 319,444 and 2/3

shares of the Common Stock for issuance upon the exercise of outstanding options and has agreed to issue additional warrants to purchase 12,500 shares of the Common Stock. Any issuance of the Common Stock by the Company may result in a reduction in the book value per share or market price per share of the outstanding shares of the Common Stock and will reduce the proportionate ownership and voting power of such shares. See "Description of Capital Stock."

Dependence on Key Personnel

The Company is dependent upon its executive officers for its various activities. The Company does not maintain "key person" life insurance policies on any of its personnel nor does it have employment agreements with any of its personnel. The loss of the services of any of these individuals could materially and adversely affect the Company. In addition, the Company's future success will depend in part upon its ability to attract and retain additional qualified personnel. Other than its officers, the Company has only one full-time employee,

an administrative assistant.

Dependence on Industry Partners

The future success of the 3-D Joint Venture is largely dependent upon the experience and performance of Zydeco. As the Company has few employees and limited operating revenues, the Company will be largely dependent upon industry partners for the success of its oil and gas exploration projects for the foreseeable future.

Control by Principal Stockholders

William D. Forster, President and Chief Executive Officer of the Company, and BSR Investments, Inc. ("BSR"), an entity under the control of a member of the immediate family of Charif Souki, Secretary and a director of the Company, own in the aggregate approximately 57.8% of the outstanding Common Stock. Accordingly, Mr. Forster and BSR will be able to elect all of the directors of the Company and to control the Company's management, operations and affairs, including the ability to effectively prevent or cause a change in control of the Company.

FACTORS RELATING TO THE 3-D JOINT VENTURE

Ability to Obtain Permits

The 3-D Joint Venture will conduct a 3-D seismic survey (the "Survey") over certain areas located within a total area of approximately 255 square miles running 5 miles south and generally 3 to 5 miles north of the coastline in the most westerly 28 miles of West Cameron Parish, Louisiana (the "Survey AMI"). The 3-D Joint Venture does not currently have rights to survey the entire Survey AMI and the extent of the Survey AMI which the 3-D Joint Venture will be entitled to survey is dependent upon its ability to obtain survey permits and similar rights. Currently, the 3-D Joint Venture has rights to survey approximately 67% of the Survey AMI and is attempting to acquire rights to survey additional portions of the Survey AMI. There is no assurance that the 3-D Joint Venture will successfully obtain permits or rights to survey additional portions of the Survey AMI.

Louisiana State Waters - Timing Risks

Among certain other rights, the 3-D Joint Venture currently has the exclusive right to shoot and gather seismic data over 51,360 net acres of Louisiana State waters, located in the Western half of West Cameron Parish, Louisiana and constituting a sub-area of the Survey AMI and to nominate for lease any acreage in such State waters (the "Louisiana Seismic Permit"). The Louisiana Seismic Permit expires in August 1997, but may be extended at Zydeco's option for an additional six months to February 1998 by payment of an additional fee of \$391,876.80. By December 1997, the 3-D Joint Venture is scheduled to complete the Survey, process and interpret the Survey data, nominate and bid for leases, propose and contract for drilling, and commence drilling its first set of prospects. Under the terms of the Louisiana Seismic Permit, the 3-D Joint Venture will be liable to pay penalties of \$783,753.60 in the event it fails to (i) complete the acquisition of

6

the seismic data covering the entire area subject to the Louisiana Seismic Permit or (ii) provide access to such data to the State of Louisiana in a timely manner. There can be no assurance that the 3-D Joint Venture will complete its scheduled activities within the time period required under the Louisiana Seismic Permit. Failure of the 3-D Joint Venture to complete its scheduled activities within the term of the Louisiana Seismic Permit would materially and adversely affect the value of the Company's interest in the 3-D Joint Venture. See "Business and Properties - Permit and Lease Status within the Survey AMI."

FACTORS RELATING TO THE OIL AND GAS INDUSTRY

Operating Risks

The oil and gas operations of the Company are subject to all of the risks and hazards typically associated with the exploration for, and the development and production of, oil and gas. Risks in drilling operations include cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution and other environmental risks. The Company's activities are also subject to perils specific to marine operations, such as capsizing, collision, and damage or loss from severe weather. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. In accordance with customary industry practices, the Company intends to maintain insurance against some, but not all, of such risks and some, but not all, of such losses. The occurrence of a significant event not fully insured or indemnified against could materially and adversely affect the Company's financial condition and operations. Moreover, no assurance can be given that the Company will be able to maintain adequate insurance in the future at rates considered reasonable by the Company. See "Business and Properties - Operational Risks and Insurance."

Exploration Risks

The Company's exploration activities involve significant risks. There can be no assurance that the use of technical expertise as applied to geophysical or

geological data will ensure that any well will encounter hydrocarbons. Further, there is no way to know in advance of drilling and testing whether any prospect encountering hydrocarbons in the Survey AMI by the 3-D Joint Venture will yield oil or gas in sufficient quantities to be economically viable. In addition, the Company is highly dependent upon seismic activity and the related application of new technology as a primary exploration methodology. There can be no assurance that the 3-D Joint Venture's efforts will be successful. See "Business and Properties."

High Dependence upon Lease Acquisition Activities

Both the United States Department of the Interior and the State of Louisiana award oil and gas leases on a competitive bidding basis and non-governmental owners of the onshore mineral interests within the Survey AMI are not obligated to lease their mineral rights to the 3-D Joint Venture except to the extent they have granted lease options to the 3-D Joint Venture. Other major and independent oil and gas companies having financial resources significantly greater than those of the 3-D Joint Venture may bid against the 3-D Joint Venture for the purchase of oil and gas leases. Accordingly, there can be no assurance that the 3-D Joint Venture or any other oil and gas venture of the Company will be successful in acquiring farmouts, seismic permits, lease options, leases or other rights to explore or recover oil and gas. Consequently, the proportion of the Survey AMI which could be surveyed or subsequently explored through drilling would be reduced to the extent that the 3-D Joint Venture is not successful at such acquisitions. See "Business and Properties - Permit and Lease Status within the Survey AMI."

Lack of Diversification; Oil and Gas Industry Conditions; Volatility of Prices for Oil and Gas

As an independent energy company, the Company's revenues and profits will be substantially dependent on the oil and gas industry in general and the prevailing prices for oil and gas in particular. Oil and gas prices have been and are likely to continue to be volatile and subject to wide fluctuations in response to any of the following factors: relatively minor changes in the supply of and demand for oil and gas; market uncertainty; political conditions in international oil producing regions; the extent of domestic production and importation of oil in certain relevant markets; the level of consumer demand; weather conditions; the

7

competitive position of oil or gas as a source of energy as compared with other energy sources; the refining capacity of oil purchasers; and the effect of federal and state regulation on the production, transportation and sale of oil. It is likely that adverse changes in the oil market or the regulatory environment would have an adverse effect on the Company's ability to obtain capital from lending institutions, industry participants, private or public investors or other sources.

Intense Competition in Oil and Gas Industry

The oil and gas industry is highly competitive. Most of the Company's current and potential competitors have significantly greater financial resources and a significantly greater number of experienced and trained managerial and technical personnel than the Company and the 3-D Joint Venture. There can be no assurance that the Company or the 3-D Joint Venture will be able to compete effectively with such firms. See "Business and Properties - Competition and Markets."

Risks of Turnkey Contracts

The Company anticipates that any wells established by it will be drilled by proven industry contractors under turnkey contracts that limit the Company's financial and legal exposure. However, circumstances may arise where a turnkey contract is not economically beneficial to the Company or is otherwise unobtainable from proven industry partners. In such instances, the Company may decide to drill, or cause to be drilled, the applicable well(s) on either a footage or day rate basis and the drilling thereof will be subject to the usual drilling hazards such as cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution and other environmental risks. The Company would also be liable for any cost overruns attributable to downhole drilling problems that otherwise would have been covered by a turnkey contract had one been negotiated. See "Business and Properties - Operational Risks and Insurance."

United States Governmental Regulation, Taxation and Price Control

Oil and gas production and exploration are subject to comprehensive federal, state and local laws and regulations controlling the exploration for and production and sale of oil and gas and the possible effects of such activities on the environment. Failure to comply with such rules and regulations can result in substantial penalties and may adversely affect the Company. Present, as well as future, legislation and regulations could cause additional expenditures, restrictions and delays in the Company's business, the extent of which cannot be predicted and which may require the Company to limit substantially, delay or cease operations in some circumstances. In most, if not all, areas where the Company may conduct activities, there may be statutory provisions regulating the production of oil and natural gas which may restrict the rate of production and adversely affect revenues. The Company plans to

acquire oil and gas leases in the Gulf of Mexico, which will be granted by the Federal government and administered by the U.S. Department of Interior Minerals Management Service (the "MMS"). The MMS strictly regulates the exploration, development and production of oil and gas reserves in the Gulf of Mexico. Such regulations could have a material adverse affect on the Company's operations in the Gulf of Mexico. The Federal government regulates the interstate transportation of oil and natural gas, through the Federal Energy and Regulatory Commission ("FERC"). The FERC has in the past regulated the prices at which oil and gas could be sold. Federal reenactment of price controls or increased regulation of the transport of oil and natural gas could have a material adverse affect on the Company. In addition, the Company's operations are subject to numerous laws and regulations governing the discharge of oil and hazardous materials into the environment or otherwise relating to environmental protection, including the Oil Pollution Act of 1990. These laws and regulations have continually imposed increasingly strict requirements for water and air pollution control, solid waste management, and strict financial responsibility and remedial response obligations relating to oil spill protection. The cost of complying with such environmental legislation will have a general adverse affect on the Company's operations. See "Business and Properties - Governmental Regulation."

8

THE COMPANY

Cheniere Energy, Inc., a holding company ("Cheniere," together with Cheniere Operating (as defined below), the "Company"), is the owner of 100% of the outstanding common stock of Cheniere Energy Operating Co., Inc. ("Cheniere Operating"). Cheniere Operating is a Houston-based company formed for the purpose of oil and gas exploration and exploitation. Cheniere Operating was incorporated in Delaware in February 1996 under the name FX Energy, Inc.

On July 3, 1996 Cheniere Operating consummated the transactions (the "Reorganization") contemplated in the Agreement and Plan of Reorganization (the "Reorganization Agreement") dated April 16, 1996 between Cheniere Operating and Bexy Communications, Inc., a publicly held Delaware corporation ("Bexy"). Under the terms of the Reorganization Agreement, Bexy transferred its existing assets and liabilities to Mar Ventures, Inc., its wholly-owned subsidiary, Bexy received 100% of the outstanding shares of Cheniere Operating and the former shareholders of Cheniere Operating received approximately 8.3 million newly issued shares of Bexy common stock, representing 93% of the then issued and outstanding Bexy shares. Immediately following the Reorganization, the Original Bexy Stockholders held the remaining 7% of the outstanding Bexy stock. In accordance with the terms of the Reorganization Agreement, Bexy changed its name to Cheniere Energy, Inc.

The Common Stock of the Company is traded on the over-the-counter market and quoted on the OTC Bulletin Board (the "Bulletin Board") of the National Association of Securities Dealers (the "NASD") (ticker symbol "CHEX") with 9,431,767 shares outstanding as of August 20, 1996. The Company intends to apply for a Nasdaq SmallCap Market listing as soon as is practicable.

The Company's principal executive offices are located at Two Allen Center, 1200 Smith Street, Suite 1710, Houston, Texas 77002. The Company's telephone number is (713) 659-1361.

USE OF PROCEEDS

All shares of Common Stock covered hereby are being registered for the account of the Selling Stockholders and, accordingly, the Company will not receive any proceeds from the sale of the Common Stock by the Selling Stockholders.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of July 31, 1996. All information set forth below should be read in conjunction with the financial data of the Company and related notes that appear elsewhere in this Prospectus.

<TABLE>

<CAPTION>

<S>	<C>
Shareholders' Equity	
Common Stock - \$.003 Par Value	
Authorized 20,000,000 shares;	
9,256,767 Issued and Outstanding(1)	\$ 27,770
Preferred Stock -	
Authorized 1,000,000 shares;	--
None Issued and Outstanding	
Additional paid-in capital	3,390,703
Retained Deficit	(27,352)

Total Shareholders' Equity	\$3,391,121
	=====

</TABLE>

- (1) In addition, (i) 141,666 and 2/3 shares of Common Stock are reserved for issuance upon exercise of outstanding warrants to purchase Common Stock at an average exercise price of \$3.00 per share, (ii) 300,000 shares of Common Stock are reserved for issuance upon exercise of outstanding options granted by the Board of Directors to certain of the Company's executive officers, at an exercise price of \$3.00 per share and (iii) 19,444 and 2/3 shares of the Common Stock are reserved for issuance upon exercise of outstanding options granted to Buddy Young, at an exercise price of \$1.80 per share.

MARKET PRICE AND DIVIDEND INFORMATION

From 1989 through December 1993, there was no public trading market for the Bexy Common Stock. In December 1993, the common stock of Bexy began trading on the Bulletin Board. In connection with the Reorganization, the Company is in the process of divesting itself of the assets relating to the business of Bexy prior to the Reorganization and has shifted its focus to oil and gas exploration. Simultaneously with the Reorganization, each three outstanding shares of common stock of Bexy was converted to one share of Common Stock and the stockholders of Cheniere Operating were issued shares of Common Stock equaling approximately 93% of the then issued and outstanding shares of Bexy causing the existing stockholders of Bexy to be diluted to approximately 7%. On July 8, 1996, the Common Stock began trading on the Bulletin Board (ticker symbol "CHEX"). As the nature of the business and the Common Stock has changed as a result of the Reorganization, this section describes the market price of the Common Stock following the Reorganization on July 3, 1996.

The high ask and low bid prices of the Common Stock reported on the Bulletin Board for the period from July 8, 1996 through August 22, 1996 were \$6.00 and \$3.00, respectively. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not reflect actual transactions.

As of August 20, 1996 there were 1,329 record holders of the Common Stock which includes holders who hold their shares of the Common Stock in "street name".

The Company has not paid any dividends since its inception and presently anticipates that all earnings, if any, will be retained for development of the Company's business and that no dividends on its Common Stock will be declared in the foreseeable future. Any future dividends will be subject to the discretion of the Company's Board of Directors and will depend upon, among other things, future earnings, the operating and financial condition of the Company, its capital requirements and general business conditions.

10

SELECTED FINANCIAL DATA

The following income statement data and balance sheet data have been derived from the financial statements prepared in accordance with generally accepted accounting principles. The financial statements of Cheniere Operating for the period ended April 22, 1996 have been audited by Merdinger, Fruchter, Rosen & Corso, P.C. The financial information presented below as of July 31, 1996 and for the period then ended has been derived from unaudited financial statements of Cheniere Energy, Inc. and Cheniere Operating, assuming the divestiture of Mar Ventures has occurred; however, in the opinion of management, such unaudited financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the unaudited results of the interim period. This information should be read in conjunction with the financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

<TABLE>

<CAPTION>

	April 23 to July 31, 1996(1)	February 23 to April 22, 1996(1) (2)
	-----	-----
<S>	<C>	<C>
Net operating revenues	\$	\$
(Loss) from continuing operations	(27,352)	--
(Loss) from continuing operations per share of common stock	(0.003)	--
Total Assets	3,976,562	153,308
Long-term obligations	--	--
Total Liabilities	585,441	78,305
Total Shareholders' Equity	3,391,121	75,003
Cash dividends declared per share of common stock	--	--

(1) With respect to the balance sheet data, as of the end of the period.

(2) Cheniere Energy Operating Co., Inc. was organized on February 23, 1996.

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cheniere Operating was incorporated in Delaware in February of 1996 for the purpose of entering the oil and gas exploration and exploitation business, initially on the Louisiana Gulf Coast.

In March of 1996, Cheniere Operating entered into discussion with Bexy Communications, Inc. ("Bexy") for a reorganization in order to give it a presence in the public market.

On April 16, 1996, the Reorganization Agreement was entered into whereby the Cheniere Operating stockholders would acquire control of Bexy in consideration for the outstanding stock of Cheniere Operating.

Under the terms of the Reorganization Agreement, Bexy transferred its existing assets and liabilities to Mar Ventures, Bexy received 100% of the outstanding shares of Cheniere Operating and the former shareholders of Cheniere Operating received approximately 8.3 million newly issued shares of Bexy common stock, representing 93% of the then issued and outstanding Bexy shares. Cheniere Operating became a wholly-owned subsidiary of Bexy and the principal business became oil and gas exploration. The Company intends to distribute the outstanding capital stock of Mar Ventures to the original holders of Bexy common stock. If such distribution is unsuccessful, the Company intends to liquidate Mar Ventures.

The reorganization was accounted for as the recapitalization of Cheniere Operating and the issuance of stock for the net assets of Bexy.

RESULTS OF OPERATIONS - AUDITED STATEMENTS FEBRUARY 23, 1996 TO APRIL 22, 1996

Cheniere Operating was incorporated on February 23, 1996. There were no revenues for the period. The initial capitalization was for \$75,003. The Company purchased fixed assets for their office of \$22,505 and incurred organization costs, principally in connection with the offering, of \$55,800. At April 22, 1996 accounts payable were \$78,305.

RESULTS OF OPERATIONS - APRIL 23, 1996 TO JULY 31, 1996

Cheniere Operating's results of operations reflect its receipt of \$3.7 million from the sale of stock, plus \$425,000 from the Bridge Loan (as defined below). These receipts were used to pay \$3.0 million to its joint venture partner Zydeco, its April 23rd accounts payable plus offering costs and fixed assets, of \$344,471. Losses equalled \$27,352 which comprised general and administrative expenses of \$23,168 and interest expense on the Bridge Loan of \$4,260. There were no revenues for the period.

The Company's capital is comprised of \$3.7 million from the sale of securities plus the original capitalization of \$75,003 minus offering costs of \$356,530.

The completion of the Reorganization resulted in Bexy's assets of approximately \$224,000 and its liabilities of \$92,000 being transferred to a Mar Ventures. Cheniere Operating's balance sheet was affected only as to a reorganization of stock.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 1996, the Company had working capital of \$344,373. Operating expenses and capitalized costs were financed by the sale of common stock and Bridge Loan funding as revenues have yet to be generated. It is anticipated that future liquidity requirements, including the commitment to the 3-D Joint Venture which will amount to, at least, an additional \$9 million, will be met by sale of equity, further borrowings and/or sales of portions of the Company's interest in the 3-D Joint Venture. At this time, no assurance can be given that such sale of equity, further borrowings or sales of portions of the Company's interest in the 3-D Joint Venture will prove to be successful. The Company has in the past failed to timely

12

make certain payments due to the 3-D Joint Venture. While the Company has in such instances succeeded in obtaining waivers under, and amendments to, the Exploration Agreement extending the due dates for such required payments, there can be no assurance that the Company will successfully obtain similar amendments should it fail to timely make required payments to the 3-D Joint Venture in the future. The Company currently does not have sufficient capital to meet its future payment requirements and there can be no assurance that the Company will successfully secure the necessary funds. See "Business and Properties - 3-D Joint Venture Exploration Agreement."

Capital Resources. Since its inception, the Company's primary source of financing for operating expenses and payments to the 3-D Joint Venture has been the sale of its equity securities.

In May and June 1996, Cheniere Operating raised \$2,883,000, net of offering costs, from the sale of shares of its common stock (which were exchanged for 2,000,000 shares of the Common Stock following the Reorganization)

to "accredited investors" (as defined in Rule 501(a) promulgated under the Securities Act) pursuant to Rule 506 of Regulation D promulgated under the Securities Act ("Regulation D"). The proceeds were used to fund Cheniere Operating's initial \$3 million payment to the 3-D Joint Venture.

In order to finance a \$1 million payment made to the 3-D Joint Venture on August 9, 1996, the Company sold Common Stock pursuant to Regulation D and Regulation S promulgated under the Securities Act ("Regulation S"). In July 1996, the Company sold 50,000 shares of the Common Stock to an "accredited investor" pursuant to Rule 506 of Regulation D and the Company received proceeds of \$100,000 from such sale. In July and August 1996, the Company conducted an offering of Common Stock pursuant to Regulation S. The Company sold 508,400 shares of the Common Stock and received proceeds of \$915,000, net of placement fees, from such sale.

In June 1996, Cheniere Operating borrowed \$425,000 (the "Bridge Loan") through a private placement of short term promissory notes with an initial interest rate of 8% (the "Notes"). The Notes are due on September 14, 1996 (the "Maturity Date"). In connection with the placement of the Notes, Cheniere Operating issued warrants, which following the Reorganization, were exchanged for an aggregate of 141,666 and 2/3 warrants to purchase shares of the Common Stock, to the holders of the Notes (the "Noteholders"), each of which warrants entitles the holder to purchase one share of the Common Stock at an exercise price of \$3.00 per share at any time on or before June 14, 1999. A failure by the Company to pay all amounts due and payable under the Notes by the Maturity Date constitutes an event of default thereunder. In such an event of default, the interest rate applicable to any outstanding Notes would increase to 13%. In addition, the holders of such outstanding Notes would be entitled to receive up to an aggregate of 42,500 additional warrants (on similar terms) for each month, or partial month, any amounts remain due and payable following the Maturity Date, up to a maximum aggregate number of 170,000 such additional warrants. The proceeds from the placement of the Notes were applied toward professional expenses and used for working capital. The Company currently does not have sufficient capital to meet its future payment obligations under the Notes and there can be no assurance that the Company will successfully secure the necessary funds.

BUSINESS AND PROPERTIES

GENERAL

The Company is currently involved in a joint exploration program which is engaged in the exploration for oil and natural gas along the Gulf Coast of Louisiana, onshore and in the shallow waters of the Gulf of Mexico. The Company commenced its oil and gas activities in April 1996 through such joint exploration program, and since July 3, 1996 has been publicly traded under the name Cheniere Energy, Inc.

The Company is involved with one major project in the pre-drilling stage. The Company entered into a joint exploration program pursuant to an Exploration Agreement dated April 4, 1996 between FX Energy, Inc., now known as Cheniere Operating, and Zydeco Exploration, Inc. ("Zydeco"), an operating subsidiary of Zydeco Energy, Inc. (the "Exploration Agreement"), with regard to a new proprietary 3-D seismic exploration project in southern Louisiana (the "3-D Joint Venture"). The Company has the right

13

to earn up to a 50% participation in the 3-D Joint Venture. The Company believes that the 3-D seismic survey (the "Survey") is the first of its size within the Transition Zone of Louisiana, an area extending a few miles on either side of the Louisiana State coastline. The Survey is to be conducted over certain areas located within a total area of approximately 255 square miles running 5 miles south and generally 3 to 5 miles north of the coastline in the most westerly 28 miles of West Cameron Parish, Louisiana (the "Survey AMI"). The 3-D Joint Venture does not currently have rights to survey the entire Survey AMI and the extent of the Survey AMI which the 3-D Joint Venture will be entitled to survey is dependent upon its ability to obtain survey permits and similar rights. Currently, the 3-D Joint Venture has permits and similar rights to survey approximately 67% of the Survey AMI and is attempting to acquire rights to survey additional portions of the Survey AMI. There can be no assurance that the 3-D Joint Venture will successfully obtain rights to survey additional portions of the Survey AMI. The 3-D Joint Venture will survey specific sections selected by it within the areas covered by such permits and rights. See "- Permit and Lease Status Within the Survey AMI." A seismic data acquisition contract has been signed and shooting is expected to begin in early September.

On July 26, 1996, the Company signed a Letter of Intent with Poseidon Petroleum, LLC ("Poseidon") to purchase Poseidon's 47% working interest in undeveloped reserves in the Bonito Unit of the Pacific Outer Continental Shelf, offshore Santa Barbara County, California (the "Poseidon Interest"). The parties are conducting due diligence and are negotiating a definitive purchase and sale agreement and related documentation. The transactions contemplated in the Letter of Intent may be terminated by either party upon the occurrence of certain events and there can be no assurance that the Company will successfully consummate such transactions. Moreover, if such transactions are consummated, the Company expects that development of the reserves will not occur for at least five years. There can be no assurance that the Company will successfully develop the reserves or that the reserves will yield sufficient quantities of oil and

gas to be economically viable.

The Company has not yet established oil and gas production, nor has it booked proven oil and gas reserves.

BUSINESS STRATEGY

The Company's objective is to expand the net value of its assets by growing its oil and gas reserves in a cost efficient manner. The Company intends to pursue this objective by following an integrated strategy that includes the following elements:

. FOCUS ON FEW PROJECTS WITH LARGE RESERVE POTENTIAL.

Louisiana Gulf Coast Transition Zone. The Company's current activities are focused within one area, the Transition Zone of Louisiana. The Company believes that the Transition Zone, including the westernmost 28 miles of Louisiana coastline that are within the Survey AMI, has significant remaining undiscovered reserves. The 3-D Joint Venture therefore plans to focus its efforts on certain areas, all located within The Survey AMI. In addition, the substantial infrastructure along the Gulf Coast and in the shallow Gulf of Mexico permits the Company to lower its operating costs compared to those in other geographic regions and facilitates the timely development of oil and gas discoveries. The Company's officers and Zydeco have extensive experience both onshore and offshore in the Gulf Coast and believe the 3-D Joint Venture is well positioned to evaluate, explore and develop properties in the area.

Offshore California. The Company has signed a Letter of Intent with Poseidon to purchase Poseidon's 47% working interest in undeveloped reserves in the Bonito Unit of the Pacific outer continental shelf, offshore Santa Barbara County, California. An independent reserve report is being prepared to determine an estimate of the volume of undeveloped oil and gas reserves attributable to the Poseidon Interest. The parties are conducting due diligence and are negotiating a definitive purchase and sale agreement and related documentation. The transactions contemplated in the Letter of Intent may be terminated by either party upon the occurrence of certain events and there can be no assurance that the Company will successfully consummate such transactions. Moreover, if such transactions are consummated, the Company expects that development of the reserves will not occur for at least five

14

years. There can be no assurance that the Company will successfully develop the reserves or that the reserves will yield sufficient quantities of oil and gas to be economically viable.

. MAINTAIN A SIGNIFICANT WORKING INTEREST IN EACH PROJECT. The Company has the right to earn up to a 50% participation in the 3-D Joint Venture. Under the terms of the Exploration Agreement, the Company must timely meet its payment obligations to the 3-D Joint Venture in order to reach a 50% participation. The Company does not intend to be an operator in the area, but intends to maintain a significant working interest to better leverage its administrative and technical resources and to better influence operator decisions.

. UTILIZE THE LATEST EXPLORATION, DEVELOPMENT AND PRODUCTION TECHNOLOGY. The Company intends to use the latest technology to enhance the efficiency and economy of its exploration, development and production efforts. These include the use of advanced 3-D seismic acquisition and processing techniques in the Survey AMI.

. CONTROL OVERHEAD COSTS. The Company plans to maintain a small, but experienced working staff, and to leverage their talents by focusing on a relatively few projects which have high reserve potential in which it can obtain a high working interest, and to employ outside consultants and seek industry partners with the appropriate geographic and technical experience. Currently, the Company has no employees other than its executive officers and one administrative assistant.

THE 3-D JOINT VENTURE EXPLORATION PROJECT IN WEST CAMERON PARISH, LOUISIANA TRANSITION ZONE

The Company's first exploration project is the 3-D Joint Venture, in which the Company has the right to earn up to a 50% participation, in a new proprietary 3-D seismic exploration project that the Company believes will be the largest of its kind within the Louisiana Transition Zone. The Survey AMI covers approximately 255 square miles situated onshore and offshore over the most westerly 28 miles of the shoreline in West Cameron Parish, Louisiana.

The 3-D Joint Venture must obtain permits or similar rights to survey the areas located within the Survey AMI. Currently, the 3-D Joint Venture has rights to Survey 51,360 net acres of Louisiana State Waters, pursuant to an exclusive permit, and certain privately held areas which together constitute approximately 67% of the Survey AMI and is attempting to acquire rights from additional private owners. There can be no assurance that the 3-D Joint Venture will successfully obtain rights to survey additional portions of the Survey AMI. The 3-D Joint Venture intends to survey specific sections selected by it within the areas covered by its permits and similar rights. See "- Permit and Lease Status Within the Survey AMI." The Company believes that survey sites located within the Survey AMI have the potential for containing substantial undiscovered

oil and gas reserves, based on the number and size of existing fields in and around the Survey AMI, the low level of historical exploration in the Survey AMI and the exploration success resulting from a speculative 3-D seismic survey shot by an independent geophysical services company in the adjacent Federal offshore area. An acquisition contract with Grant Geophysical, Inc. has been signed and the Survey is scheduled to begin in early September of 1996.

3-D Joint Venture Exploration Agreement

Under the terms of the Exploration Agreement, Cheniere Operating is obligated to pay 100% of the Seismic Costs (as defined below) up to \$13.5 million (subject to adjustment as described in the following sentence) in accordance with a fixed schedule of monthly payments, and 50% of the excess of any such costs, to acquire a 50% working interest participation in the leasing and drilling of all Prospects (as defined below) generated by Zydeco within the Survey AMI. If premiums required for turnkey contracts cause total Seismic Costs to exceed \$13.5 million, Cheniere Operating will bear 100% of Seismic Costs only up to \$13 million, and Seismic Costs greater than \$13 million will be borne equally by Cheniere Operating and Zydeco. "Seismic Costs" are defined in the Exploration Agreement to include the following, inter alia: acquiring and processing seismic data; turnkey contracts; legal costs; options to lease land and leases of land;

15

and the cost of seismic permits including the seismic permit granted by the State of Louisiana discussed below. See "-Permit and Lease Status Within the Survey AMI-Offshore Area."

Under the terms of the Exploration Agreement, Zydeco will perform, or cause to be performed, all of the planning, land, geologic and interpretative functions necessary to the project and will design and oversee the acquisition and processing of seismic data, interpret results, acquire leases and generate Prospects. The term "Prospect" is defined in the Exploration Agreement as a block of acreage suitable for exploration and includes the leasehold, operating, nonoperating, mineral and royalty interests, licenses, permits and contract rights relating thereto. Cheniere Operating has the right to review all data and may elect to generate its own Prospects. Neither party to the 3-D Joint Venture is permitted to sell or license the data without the other party's approval.

As described above, under the terms of the Exploration Agreement, Cheniere Operating is obligated to make payments for the Seismic Costs into a joint venture account (the "Joint Venture Account"). The Exploration Agreement originally provided for an initial installment of \$3 million to be paid by May 15, 1996, which was extended to June 14 1996 by agreement of the parties. Subsequent payments were due on the last day of each of the months of June 1996 through February 1997. Each of the payments was required to be in the amount of \$1 million with the exception of the payments at the end of September 1996 and February 1997 which were required to be for \$2 million and \$1.5 million, respectively (although the February 1997 payment may be reduced to \$1.0 million under certain circumstances described above).

Cheniere Operating failed to timely make the \$1 million payments due on June 30, 1996 and July 30, 1996. Pursuant to the Second Amendment to the Exploration Agreement dated August 5, 1996, Cheniere Operating (i) was required to make the payment originally due on June 30, 1996 on or before August 9, 1996 and such payment has been timely made and (ii) is required to make the payment originally due on July 30, 1996 on or before October 31, 1996. A failure by Cheniere Operating to make such payment on such date will be treated as a Discontinuance (as defined below). Other than as described above, all payments to the Joint Venture Account are due as scheduled, the next such payment being due on August 31, 1996. Cheniere Operating intends to make its future payments under the Exploration Agreement as and when they are due, however, neither Cheniere Operating nor the Company currently has sufficient capital to cover such payments and there can be no assurance that Cheniere Operating or the Company will successfully secure the necessary funds.

In the event Cheniere Operating fails to make a scheduled payment into the Joint Venture Account within 30 days after the date such payment is due (a "Discontinuance"):

(i) The obligation and right of Cheniere Operating to make such payments will terminate. Zydeco would have the right to complete the acquisition and processing of seismic data with the cooperation or assistance of other companies. In addition, Cheniere Operating's Prospect ownership interest would be limited to the total amount of its contribution to the Joint Venture Account, divided by twice the amount of funds expended for Seismic Costs, expressed as a percentage. For example, if Cheniere Operating made a total contribution of \$3 million to the Joint Venture Account, prior to a Discontinuance, and total Seismic Costs were \$13.5 million, Cheniere Operating's Prospect ownership interest would be limited to 11.1%;

(ii) If following a Discontinuance, Zydeco contributes funds that otherwise were required to have been provided by Cheniere Operating under the terms of the Exploration Agreement, Zydeco shall be entitled to receive back such funds, together with interest thereon at the prime interest rate, from revenues attributable to Cheniere Operating's interest in any Prospect (including, without limitation, any working interest or overriding royalty interest revenues from production or front end proceeds attributable to such

interest when owned by Cheniere Operating under the applicable operating agreement or proceeds from the sale or license of seismic data);

(iii) Subject to (iv) immediately below, if a Discontinuance occurs, and Zydeco does not itself fund the deficient Seismic Costs, Zydeco may sell, trade, farm-out, lease, sublease or otherwise trade (collectively, a "Trade") the aggregate (i.e., both that of Zydeco and Cheniere Operating) Prospect

16

interests to any party on arms' length terms. For this purpose the aggregate Prospect interests includes all seismic data acquired, and revenues from a Trade include seismic data sale or license proceeds. Any revenues accruing from a Trade shall be applied toward the cost of completing the project contemplated under the Exploration Agreement; and

(iv) Should Cheniere Operating have funded \$8,000,000 or more prior to the Discontinuance, then the parties will treat Cheniere Operating as having earned a vested Prospect ownership interest of 25%, which shall not be subject to any Trade, and any revenues from a Trade, which would in this instance cover a 75% Prospect ownership interest, shall be shared 33-1/3% by Cheniere Operating and 66-2/3% by Zydeco.

Prospect Expenses (as defined below) are to be borne equally by Zydeco and Cheniere Operating; provided, however, that in the event of a Discontinuance, Cheniere Operating shall bear a percentage of the Prospect Expenses equal to its Prospect ownership interest. "Prospect Expenses" are defined in the Exploration Agreement as: lease bonuses and brokerage for leases; delay or shut in rental payments on leases or interest acquired under the Exploration Agreement; engineering costs; and certain other costs related to Prospects. If Cheniere Operating fails to pay its share of Prospect Expenses within 30 days of receipt of a bill therefor, it will be deemed to have declined to participate in the Prospect and will have no interest or liability related to the Prospect in question.

In the event that Zydeco incurs a contractual liability to a third party in performing its undertakings under the Exploration Agreement, such contractual liability shall be treated as a Prospect Expense. In the event that Zydeco incurs a tort liability to a third party in performing its undertakings under the Exploration Agreement, and such liability is a result of gross negligence or willful malfeasance, such liability, and all attorneys fees and expenses relating thereto, shall be solely Zydeco's responsibility. In the event that Zydeco incurs a tort liability to a third party in performing its undertakings under the Exploration Agreement, and such liability is not a result of gross negligence or willful malfeasance, such liability, and all attorneys' fees and expenses relating thereto, shall be borne equally by the Company and Zydeco.

Location and Hydrocarbon Potential of the Survey Area

The Survey AMI, which contains the specific areas to be covered by the Survey, lies within a highly prolific natural gas region. Nevertheless, as compared to onshore and open marine regions, areas lying within the Transition Zone have been relatively less explored to date due to the relatively high cost and logistical difficulties associated with conducting modern seismic surveys over the diverse environments encountered along the coast. Previous difficulties have included the technical complexities of gathering and integrating seismic data from marshlands, bays, highland and open water areas and the difficulties of negotiating with sophisticated landowners who control most of the area close to the Louisiana coastline. The paucity of modern seismic data has limited the drilling density: the spacing of exploration wells testing the primary objective section, outside of the known fields, is less than one well per five square miles. However, recent declines in the cost of supercomputing workstations which can be employed in processing and interpreting seismic data have made projects such as this Transition Zone venture technically and economically feasible.

The Louisiana Transition Zone contains the Miocene Trend which has produced many of the largest oil and gas fields in the continental United States and its territorial waters. Objectives within the Miocene Trend have excellent reservoir characteristics and have historically exhibited multiple pay zones, which can allow a single strategically placed well bore to drain multiple reservoirs. Given the relatively low level of historical exploration and the high recovery factors characterizing the Louisiana Transition Zone, the Company believes that this zone has the potential for containing substantial undeveloped oil and gas reserves. Miocene age reservoirs in fields overlapping the Survey AMI have produced in excess of 3 trillion cubic feet (tcf) of natural gas. Along the northeast quadrant of the Survey AMI the Mud Lake and Second Bayou Fields have cumulatively produced more than 1.3 tcf of natural gas to date, with more than 250 billion cubic feet (bcf) having been produced from one well. In the southwestern quadrant of the Survey AMI, the West Cameron Block 17 Field in the State and Federal waters has cumulatively produced more than 980 bcf to date. Numerous other smaller, but still significant, oil and gas fields surround and overlay the area.

17

Immediately farther offshore of the Survey AMI, a successful industry drilling program based on a spec 3-D survey provides an analogy that illustrates the potential for new discoveries in this region resulting from 3-D seismic

data. In 1989, a 3-D seismic survey shot by an independent geophysical services company along the shallow Federal waters in the western part of the Western Cameron area led to 4 new field discoveries which have produced approximately 320 bcf of natural gas to date from 15 boreholes. The lower Miocene Planulina reservoir has excellent flow characteristics, as can be seen by the per well recoveries, 21 bcf of natural gas, in the area of the adjacent shoot. In addition to the volumes produced from these discoveries, additional reserves have been brought on through exploitation wells drilled into existing fields.

The entire Survey AMI is located within an existing pipeline infrastructure. As a result, it will generally be quicker and less costly to develop and connect reserves found onshore and in the shallow offshore areas to markets than would be the case for reserves found in deeper water areas. The Louisiana Gulf Coast/Gulf of Mexico region enjoys easy access to the premium-priced markets of the East Coast.

Permit and Lease Status Within the Survey AMI

The 3-D Joint Venture will Survey only certain sections lying within the Survey AMI. The area to be covered by the Survey is dependent upon the status of permits granting the 3-D Joint Venture the right to Survey certain areas and its ability to obtain such permits or similar rights in the future.

Offshore Area -- State Waters Exclusive Permit and Federal Offshore Permits. On February 14, 1996, the State of Louisiana awarded Zydeco the exclusive right (the "Louisiana Seismic Permit") to shoot and gather seismic data over the 51,360 net unleased acres of Louisiana State waters (running out to a 3 1/2 mile limit located within the Survey AMI) in the western half of West Cameron Parish. The term of the Louisiana Seismic Permit is for 18 months and may be extended at Zydeco's option for an additional 6 months by payment of an additional fee of \$391,876.80. During this term Zydeco has the exclusive right to nominate blocks of acreage for leasing in the covered State waters.

The Survey AMI includes an area running southward over 1 1/2 to 2 miles of Federal waters. Zydeco's seismic contractor, Grant Geophysical, Inc., has received approval from the U.S. Government to survey over 21,000 acres of Federal offshore leases located within the Survey AMI. Although Zydeco has no exclusive rights regarding leases in the Federal waters, several offshore lease blocks held by industry and covered by the Survey are scheduled to expire within the next year and may then be available for leasing.

Onshore Area -- Prospective Permits, Lease Options, and Farmouts. Zydeco is in negotiations to obtain variously, farmouts, seismic permits or lease options, with owners of the mineral interests covering approximately 85,000 additional acres of privately owned lands lying under the onshore portion of the Survey AMI ("Onshore Area"). The outcome of these discussions will effect the exact delineation of the areas which will be subject to the Survey within the Survey AMI. As of this date, seismic permits or options covering portions of the Onshore Area have already been obtained.

Technological Aspects of 3-D Seismic Shoot and Prospect Generation

The Company believes that recently developed seismic processing and interpretation technology, including some key technology which Zydeco has licensed for use in Southern Louisiana on an exclusive basis, has now evolved to a point where quality control for a Transition Zone survey will be improved significantly. The Survey will incorporate certain of these new techniques for the first time in a major seismic survey. Moreover, the Company believes that the areal extent of the Survey, which is unusually large for a shallow water/onshore seismic survey should permit better imaging of the subsurface, particularly of the deeper zones.

The design of the Survey has been led by Rudy Prince, Zydeco's Vice-Chairman, who was formerly CEO and a founder of Digicon Geophysical Corp., a seismic services company. A primary objective of the Survey is to provide for accurate and consistent data sufficient for analysis of hydrocarbon indicators in a depth range of 8,000 - 20,000 feet at an attractive price. The design will employ technology referred to as "wavefield imaging", for which Zydeco has obtained an exclusive license for use in the Louisiana Transition

18

Zone (from Wavefield Imaging, Inc.). The approach combines a relatively lower density array of shots and receivers with 3-D pre-stack migration. Moreover, the Company believes that the use of a single type of shot, dynamite, and a single type of receiver, hydrophone, across the coastline, will simplify and improve seismic processing across the different Transition Zone environments.

Data Acquisition. The Company believes that use of similar source (dynamite) and receiver (hydrophone) components laid out in a symmetrical array across the shoreline will eliminate the problems of integrating two different types of data sets (land and marine) and improve data consistency. A limited amount of airgun source data will be acquired in the Federal waters and around the few producing fields. A primary consideration in the design, the relatively deep zones of interest (8,000-20,000 feet), calls for long north-south transects (up to 10 miles) to improve the quality of deep data.

Data Transmission, Processing and Interpretation. Data will be transferred daily from the field crew to Zydeco's headquarters in Houston, where it will undergo nearly real-time processing. This procedure will allow Zydeco to

closely monitor 3-D data quality and make adjustments to the acquisition parameters if necessary. This new technology also significantly reduces the delay time between the Survey itself and ultimate drilling decisions. In combination with a reduced cost design for field data acquisition, Zydeco will employ a proven technology, 3-D prestack migration, seeking to obtain superior quality subsurface images. To maximize quality control and minimize delays Zydeco will process the data in-house. Having completed seismic processing, Zydeco will also employ state of the art Computer Aided Exploration (CAEX) interpretation techniques to locate and define drilling prospects.

Schedule for the 3-D Joint Venture

While the Louisiana Seismic Permit, whose primary 18 month term expires in August 1997, may be extended at Zydeco's option until February 1998 by payment of an additional fee of \$391,876.80, Zydeco presently plans to adhere to the schedule summarized below:

<TABLE>
<CAPTION>

<S>	<C>	<C>
April - Aug.	1996	Onshore Permitting and Lease Optioning
Aug. - Dec.	1996	Conduct Seismic Survey and Simultaneously Begin Processing & Interpretation of Data Received
1/st/ Quarter	1997	Continue Processing and Interpretation
2/nd/ Quarter	1997	Complete Interpretation and Identify Prospects
3/rd/ Quarter	1997	Nominate and Bid Offshore Leases, and Lease Onshore
4/th/ Quarter	1997	Propose, Contract for Drilling, and Commence Drilling of First Group of Prospects

</TABLE>

Under the terms of the Louisiana Seismic Permit, the 3-D Joint Venture will be liable to pay penalties of \$783,753.60 in the event it fails to (i) complete the acquisition of the seismic data covering the entire area subject to such Permit or (ii) provide access to such data to the State of Louisiana in a timely manner. There can be no assurance that the 3-D Joint Venture will complete its scheduled activities within the time period of the Louisiana Seismic Permit. Failure of the 3-D Joint Venture to complete its scheduled activities within the term of the Louisiana Seismic Permit would materially and adversely affect the value of the Company's interest in the Joint Venture.

Zydeco and the Company have designated the entire Survey AMI (onshore and offshore) as an area of mutual interest for five years ending May 15, 2001, during which period the two companies may continue to drill, test, and develop prospects within the Survey AMI. Any interest taken by either Zydeco or the Company, during such period, in any agreement or arrangement which creates or effects an interest in hydrocarbons in lands within the Survey AMI, or an acquisition of a contractual right to acquire such an interest shall be deemed taken for development under the Exploration Agreement. The party acquiring such an interest must offer to the other party the right, which may be waived by such other party, to participate in the rights and obligations associated with such interest in proportion to their respective Prospect ownership interests.

COMPETITION AND MARKETS

Competition in the industry is intense, particularly with respect to the acquisition of producing properties and proved undeveloped acreage. The Company competes with the major oil companies and other independent producers of varying sizes, all of which are engaged in the exploration, development and acquisition of producing and non-producing properties. Many of the Company's competitors have financial resources and exploration and development budgets that are substantially greater than those of the Company, which may adversely affect the Company's ability to compete.

The availability of a ready market for and the price of any hydrocarbons produced by the Company will depend on many factors beyond the control of the Company, including the extent of domestic production and imports of foreign oil, the marketing of competitive fuels, the proximity and capacity of natural gas pipelines, the availability of transportation and other market facilities, the demand for hydrocarbons, the political conditions in the Middle East, the effect of federal and state regulation of allowable rates of production, taxation and the conduct of drilling operations and federal regulation of natural gas. In the past, as a result of excess deliverability of natural gas, many pipeline companies have curtailed the amount of natural gas taken from producing wells, shut-in some producing wells, significantly reduced gas taken under existing contracts, refused to make payments under applicable "take-or-pay" provisions and have not contracted for gas available from some newly completed wells. The Company can give no assurance that such problems will not arise again. In addition, the restructuring of the natural gas pipeline industry has eliminated the gas purchasing activity of traditional interstate gas transmission pipeline buyers.

Producers of natural gas, therefore, have been required to develop new markets among gas marketing companies, end users of natural gas and local distribution companies. All of these factors, together with economic factors in the marketing area, generally may affect the supply and/or demand for oil and gas and thus the prices available for sales of oil and gas.

GOVERNMENTAL REGULATION

The Company's oil and gas exploration, production and related operations are subject to extensive rules and regulations promulgated by Federal and state agencies. Failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil and gas industry increases the Company's cost of doing business and affects its profitability. Because such rules and regulations are frequently amended or reinterpreted, the Company is unable to predict the future cost or impact of complying with such laws.

Production. In most, if not all, areas where the Company may conduct activities, there may be statutory provisions regulating the production of oil and natural gas under which administrative agencies may promulgate rules in connection with the operation and production of both oil and gas wells, determine the reasonable market demand for oil and gas, and establish allowable rates of production. Such regulation may restrict the rate at which the Company's wells produce oil or gas below the rate at which such wells would be produced in the absence of such regulation, with the result that the amount or timing of the Company's revenues could be adversely affected.

Regulation of Operations on Outer Continental Shelf. The Company plans to acquire oil and gas leases in the Gulf of Mexico. The Outer Continental Shelf Lands Act ("OCSLA") requires that all pipelines operating on or across the Outer Continental Shelf (the "OCS") provide open-access, non-discriminatory service. Although the Federal Energy Regulatory Commission ("FERC") has opted not to impose the regulations of Order No. 509, in which the FERC implemented the OCSLA, on gatherers and other non-jurisdictional entities, the FERC has retained the authority to exercise jurisdiction over those entities if necessary to permit non-discriminatory access to service on the OCS. In this regard, the FERC recently issued a Statement of Policy ("Policy Statement") regarding the application of its jurisdiction under the Natural Gas Act of 1938 ("NGA") and the OCSLA over natural gas facilities and service on the OCS. In the Policy Statement the FERC concluded that facilities located in water depths of 200 meters or more shall be presumed to have a primary purpose of gathering up to the point of interconnection with the interstate pipeline grid. FERC has determined that gathering facilities are outside of its jurisdiction. While it is not possible to determine what the actual impact

20

of this new policy will be, since FERC has determined that it will no longer regulate the rates and services of OCS transmission facilities under the NGA, it is possible that the Company could experience an increase in transportation costs associated with its OCS natural gas production and, possibly, reduced access to OCS transmission capacity.

Certain operations the Company conducts are on federal oil and gas leases, which the Minerals Management Service (the "MMS") administers. The MMS issues such leases through competitive bidding. These leases contain relatively standardized terms and require compliance with detailed MMS regulations and orders pursuant to the OCSLA (which are subject to change by the MMS). For offshore operations, lessees must obtain MMS approval for exploration plans and development and production plans prior to the commencement of such operations. In addition to permits required from other agencies (such as the Coast Guard, the Army Corps of Engineers and the Environmental Protection Agency), lessees must obtain a permit from the MMS prior to the commencement of drilling. The MMS has promulgated regulations requiring offshore production facilities located on the OCS to meet stringent engineering and construction specifications. The MMS has proposed additional safety-related regulations concerning the design and operating procedures for OCS production platforms and pipelines. The MMS has postponed its decision regarding the adoption of these regulations in order to gather more information on the subject. The MMS also has regulations restricting the flaring or venting of natural gas, and has recently amended such regulations to prohibit the flaring of liquid hydrocarbons and oil without prior authorization except under certain limited circumstances. Similarly, the MMS has promulgated other regulations governing the plugging and abandonment of wells located offshore and the removal of all production facilities. To cover the various obligations of lessees on the OCS, the MMS generally requires that lessees post substantial bonds or other acceptable assurances that such obligations will be met. The cost of such bonds or other surety can be substantial and there is no assurance that the Company can continue to obtain bonds or other surety in all cases.

In addition, the MMS is conducting an inquiry into certain contract agreements for which producers on MMS leases have received settlement proceeds that are royalty bearing and the extent to which producers have paid the appropriate royalties on those proceeds. The Company believes that this inquiry will not have a material impact on its financial condition, liquidity or results of operations.

The MMS has recently issued a notice of proposed rulemaking in which it proposes to amend its regulations governing the calculation of royalties and the valuation of natural gas produced from federal leases. The principal feature in the amendments, as proposed, would establish an alternative market-index based method to calculate royalties on certain natural gas production sold to affiliates or pursuant to non-arm's-length sales contracts. The MMS has proposed this rulemaking to facilitate royalty valuation in light of changes in the gas marketing environment. Recently, the MMS announced its intention to reconsider the proposal and reopen the comment period. The Company cannot predict what action the MMS will take on these matters, nor can it predict at this stage of

the rulemaking proceeding how the Company might be affected by amendments to the regulations.

Additional proposals and proceedings that might affect the oil and gas industry are pending before the FERC and the courts. The Company cannot predict when or whether any such proposals may become effective. In the past, the natural gas industry has been heavily regulated. There is no assurance that the regulatory approach currently pursued by the FERC will continue indefinitely.

Bonding and Financial Responsibility Requirements. The Company is required to obtain bonding, or otherwise demonstrate financial responsibility, at varying levels by governmental agencies in connection with obtaining state or federal leases or acting as an owner or operator on such leases or of oil exploration and production related facilities. These bonds may cover such obligations as plugging and abandonment of unproductive wells, removal and closure of related exploration and production facilities and pollution liabilities. The costs of such bonding and financial responsibility requirements can be substantial and there can be no assurance that the Company will be able to obtain such bonds and/or otherwise demonstrate financial responsibility in all cases.

21

Natural Gas Marketing and Transportation. The FERC regulates the transportation and sale for resale of natural gas in interstate commerce pursuant to the NGA and the Natural Gas Policy Act of 1978 ("NGPA"). In the past, the Federal government has regulated the prices at which oil and gas could be sold. Deregulation of wellhead sales in the natural gas industry began with the enactment of the NGPA in 1978. In 1989, Congress enacted the Natural Gas Wellhead Decontrol Act (the "Decontrol Act"). The Decontrol Act removed all NGA and NGPA price and nonprice controls affecting wellhead sales of natural gas effective January 1, 1993. While sales by producers of natural gas can currently be made at uncontrolled market prices, Congress could reenact price controls in the future.

On April 8, 1992, the FERC issued Order No. 636, as amended by Order No. 636-A (issued in August 1992) and Order No. 63 6-B (issued in November 1992) as a continuation of its efforts to improve the competitive structure of the interstate natural gas pipeline industry and maximize the consumer benefits of a competitive wellhead gas market. Interstate pipelines were required by FERC to "unbundle," or separate, their traditional merchant sales services from their transportation and storage services and to provide comparable transportation and storage services with respect to all gas supplies whether purchased from the pipeline or from other merchants such as marketers or producers. The pipelines must now separately state the applicable rates for each unbundled service (e.g., for natural gas transportation and for storage). This unbundling process has been implemented through negotiated settlement in individual pipeline services restructuring proceedings. Ultimately, Order Nos. 636, et al., may enhance the competitiveness of the natural gas market. Order Nos. 636, et al. have recently been substantially affirmed by the U.S. Court of Appeals for the D.C. Circuit.

It is unclear what impact, if any, increased competition within the natural gas industry under Order No. 636 will have on the Company's activities. Although Order No. 636 could provide the Company with additional market access and more fairly applied transportation service rates, Order No. 636 could also subject the Company to more restrictive pipeline imbalance tolerances and greater penalties for violations of these tolerances.

The FERC has announced its intention to re-examine certain of its transportation-related policies, including the appropriate manner in which interstate pipelines release transportation capacity under Order No. 636, and the use of the market-based rates for interstate gas transmission. While any resulting FERC action would affect the Company only indirectly, the FERC's current rules and policy statements may have the effect of enhancing competition in natural gas markets by, among other things, encouraging non-producer natural gas marketers to engage in certain purchase and sale transactions. The Company cannot predict what action the FERC will take on these matters, nor can it accurately predict whether the FERC's actions will achieve the goal of increasing competition in markets in which the Company's natural gas is sold. However, the Company does not believe that it will be treated materially differently than other natural gas producers and marketers with which it competes.

Recently, the FERC issued a policy statement on how interstate natural gas pipelines can recover the costs of new pipeline facilities. While this policy statement affects the Company only indirectly, in its present form, the new policy should enhance competition in natural gas markets and facilitate construction of gas supply laterals.

Oil Sales and Transportation Rates. The FERC regulates the transportation of oil in interstate commerce pursuant to the Interstate Commerce Act. Sales of crude oil, condensate and gas liquids by the Company are not regulated and are made at market prices. However, the price a company receives from the sale of these products is affected by the cost of transporting the products to market. Effective as of January 1, 1995, the FERC implemented regulations establishing an indexing system for transportation rates for oil pipelines, which would generally index such rates to inflation, subject to certain conditions and limitations. These regulations could increase the cost of transporting crude oil, liquids and condensate by pipeline. The Company is not able to predict with certainty what effect, if any, these regulations will have

on it, but other factors being equal, the regulations may tend to increase transportation costs or reduce wellhead prices for such commodities.

22

Environmental. The Company's operations are subject to numerous laws and regulations governing the discharge of oil and hazardous materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of various permits before drilling commences, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, and impose substantial liabilities for pollution resulting from the Company's operations. In particular, under the Federal Oil Pollution Act of 1990 ("OPA 90"), certain persons (including owners, operators, and demise charters of vessels, owners and operators of onshore facilities, and lessees, permittees and holders of rights of use and easements in areas in which offshore facilities are located ("responsible parties")) may be held liable for various costs and damages. These include removal costs and damages, damages to natural resources and damages for lost profits, impairment to earning capacity, and destruction of or injury to real or personal property. Liability can arise when oil is discharged or poses a substantial threat of discharge into United States waters. Liability under OPA 90 is strict, joint and several, unless one of the specific defenses to liability applies, including an act of God, an act of war or an act or omission of a third party. OPA 90 also requires certain responsible parties to establish and maintain evidence of financial responsibility sufficient to meet the maximum amount of liability to which the responsible party could be subject under the liability limitation provisions. Moreover, the recent trend toward stricter standards in environmental legislation and regulation is likely to continue. In addition, legislation has been proposed in Congress from time to time that would reclassify certain oil and gas exploration and production wastes as "hazardous wastes" which would make the reclassified wastes subject to much more stringent handling, disposal and clean-up requirements. If such legislation were to be enacted, it could have a significant impact on the operating costs of the Company, as well as the oil and gas industry in general. State initiatives to further regulate the disposal of oil and gas wastes are also pending in certain states, and these various initiatives could have a similar impact on the Company. See "Risk Factors -- United States Governmental Regulation, Taxation and Price Control."

The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), also known as the "Superfund" law, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the disposal site or sites where the release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at the site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage.

OPERATIONAL RISKS AND INSURANCE

The Company anticipates that any wells established by it will be drilled by proven industry contractors under turnkey contracts that limit the Company's financial and legal exposure. However, circumstances may arise where the Company is unable to secure a turnkey contract on satisfactory terms. In this case, the Company may decide to drill, or cause to be drilled, the applicable test well(s) on either a footage or day rate basis and the drilling thereof will be subject to the usual drilling hazards such as cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution and other environmental risks. The Company's activities are also subject to perils specific to marine operations, such as capsizing, collision, and damage or loss from severe weather. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operations. In accordance with customary industry practices, the Company intends to maintain insurance against some, but not all, of such risks and some, but not all, of such losses. The occurrence of a significant event not fully insured or indemnified against could materially and adversely affect the Company's financial condition and operations. Moreover, no assurance can be given that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable.

23

MAR VENTURES INC.

Prior to the Reorganization, the existing assets and liabilities of Bexy were transferred to its wholly-owned subsidiary, Mar Ventures. As part of such Reorganization, it is intended that the stock of Mar Ventures be distributed to the Original Bexy Stockholders. Such distribution has not yet occurred. Mar Ventures has filed a Form 10-SB with the Commission in connection with the distribution of its stock. There can be no assurance that such filings with the Commission will become effective or that the distribution of Mar Ventures stock will be accomplished as intended. In the event such distribution is not successful, the Company intends to liquidate Mar Ventures.

In addition, Buddy Young, the former President and chief executive officer of Bexy, has agreed to indemnify the Company, the former shareholders of Cheniere Operating and their respective officers, directors, attorneys and other agents from and against all claims which they may suffer, incur, or pay arising under or incurred in connection with: (i) the operation of the business of Bexy prior to the closing of the Reorganization; (ii) any error or omission with respect to a material fact stated or required to be stated in the proxy materials filed by Bexy in connection with the Reorganization or the registration statement to be filed by Mar Ventures in connection with the distribution of its common stock to the Original Bexy Stockholders; and (iii) certain taxes.

YOUNG CONSULTING AGREEMENT

Pursuant to a Consulting Agreement dated as of July 3, 1996 between Cheniere and Buddy Young, the former President and chief executive officer of Bexy, the Company engaged Mr. Young as a consultant to provide management of the Company with advice regarding the management and business of the Company. Mr. Young agreed to provide such consulting services to the Company for 2 years ending on July 3, 1998 at a rate of \$75,000 per year. Mr. Young is no longer an employee of the Company and serves only in the capacity of a consultant.

EMPLOYEES

The Company has one full-time employee, an administrative assistant, other than its executive officers.

PROPERTIES

The Company subleases its Houston, Texas headquarters from Zydeco under a month-to-month sublease covering approximately 1,395 square feet at a monthly rental of \$1,100. The Company believes that this arrangement gives it the necessary flexibility to adapt to the changing space requirements of its business.

LEGAL PROCEEDINGS

The Company is not involved in any litigation.

24

MANAGEMENT

THE COMPANY

The executive officers and directors of the Company are as follows:

Name	Age	Title
William D. Forster...	49	President, Chief Executive Officer and Director
Walter L. Williams...	68	Vice Chairman and Director
Keith F. Carney.....	40	Chief Financial Officer and Treasurer
Charif Souki.....	43	Secretary and Director
Efrem Zimbalist III..	49	Director

William D. Forster, 49, is currently President and Chief Executive Officer of Cheniere. Mr. Forster was an investment banker with Lehman Brothers from 1975 to 1990 (11 years as a Managing Director), initially in the oil and gas department for seven years, and then in various other areas. In 1990, he founded his own private investment bank, W. Forster & Co. Inc. In 1994, he became active again in the oil and gas business when he began to work together with BSR Investments, Inc., a Paris-based private investment company, to provide financing for small energy companies. Mr. Forster is a director of Equity Oil Company, a NASDAQ NMS company and he serves on the Board of Trustees of Mystic Seaport Museum. He holds a Bachelor of Arts degree in economics from Harvard College and a Master of Business Administration degree from Harvard Business School.

Walter L. Williams, 68, is currently Vice-Chairman of Cheniere. Prior to joining Cheniere, Mr. Williams spent 32 years as a founder and later Chairman and Chief Executive Officer of Texoil, Inc., a publicly held Gulf Coast exploration and production company. Prior to that time he was an independent petroleum consultant. He received a Bachelor of Science degree in petroleum engineering from Texas A&M University in 1949 and is a Registered Engineer in both the states of Louisiana and Texas. He serves on the board of directors of Texoil, Inc. and has served as a Director and Member of the Executive Committee of the Board of the Houston Museum of Natural Science.

Keith F. Carney, 40, is currently Chief Financial Officer and Treasurer of Cheniere. Prior to joining Cheniere, Mr. Carney was a securities analyst in the oil & gas exploration/production sector with Smith Barney, Inc. from 1992-1996. From 1982-1990 he was employed by Shell Oil as an exploration geologist, with assignments in the Gulf of Mexico, the Middle East and other areas. He received a Master of Science degree in geology from Lehigh University

in 1982 and a Master of Business Administration/Finance degree from the University of Denver in 1992.

Charif Souki, 43, is currently the Secretary and a Director of Cheniere. Mr. Souki is an independent investment banker with twenty years of experience in the industry. In the past few years he has specialized in providing financing for promising microcap and small capitalization companies with an emphasis on the oil and gas industry. He holds a Bachelor of Arts degree from Colgate University and a Master of Business Administration from Columbia University.

Efrem Zimbalist III, 49, a director of Cheniere, is President and Chief Executive Officer of Times Mirror Magazines, a division of Times Mirror Co., and a Vice President of Times Mirror Co. He formerly served as vice president, strategic development for Times Mirror Co. from 1993 to 1995. Previously he served as Chairman and Chief Executive Officer of Correia Art Glass, Inc., a family owned business. He also served five years as a senior engagement manager at the management consulting firm of McKinsey and Co., Inc. in Los Angeles. Mr. Zimbalist received a Bachelor of Arts degree in economics from Harvard College and a Master's degree in business administration from Harvard Business School.

DIRECTOR COMPENSATION

Directors receive no remuneration for serving on the board of directors of the Company.

EXECUTIVE COMPENSATION

Simultaneously with the reorganization of Bexy with Cheniere Operating (the "Reorganization"), all of the officers of Bexy resigned from their respective offices and were replaced by the current officers of the Company. As the Company is in the process of divesting itself of the assets relating to the business of Bexy prior to the Reorganization and has shifted to a new business, this section describes the compensation to be received by the executive officers of the Company following the Reorganization on July 3, 1996. The Company presently has no employment agreement with any of the Executive Officers.

William D. Forster, President and Chief Executive Officer of the Company, and Charif Souki, Secretary of the Company, have not received any compensation in the form of salary or options and the Company does not currently intend to pay any such compensation to such officers until the Company has raised significant additional capital. The Company provides an apartment for the use of Mr. Forster and Mr. Souki during times they are in Houston at a total cost of \$4,800 per month.

Walter L. Williams, Vice Chairman of the Company will begin receiving a salary of \$120,000 per year on September 1, 1996. By resolution of the Board of Directors of the Company dated July 3, 1996, the Company granted to Mr. Williams certain options to purchase shares of the Common Stock as described below. In addition, the Company granted 30,000 shares of the Common Stock to Mr. Williams on July 3, 1996. Keith F. Carney, Chief Financial Officer and Treasurer of the Company, began receiving a salary of \$90,000 per year on July 16, 1996, the date of his appointment as an officer of the Company. By resolution of the Board of Directors of the Company dated July 23, 1996, the Company granted to Mr. Carney certain options to purchase shares of Common Stock as described below.

OPTION GRANTS IN LAST FISCAL YEAR

The following table sets forth certain information with respect to individual grants of stock options made to each of the named executive officers as of August 22, 1996.

<TABLE>
<CAPTION>

<S>	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Terms (\$)/(1)/	
	<C>	<C>	<C>	<C>	<C>	<C>
	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees	Exercise Price (\$/sh)	Expiration Date	5% Appreciation (\$)	10% Appreciation (\$)
Name						
William D. Forster..	-	-	-	-	-	-
Walter L. Williams..	75,000/(2)/	25.0	3.00	6/1/01	76,522	173,601
	75,000/(3)/	25.0	3.00	6/1/01	91,598	213,461
Keith F. Carney.....	37,500/(4)/	12.5	3.00	7/16/01	38,261	86,801
	37,500/(4)/	12.5	3.00	7/16/01	45,799	106,731
	37,500/(4)/	12.5	3.00	7/16/01	53,714	128,654
	37,500/(4)/	12.5	3.00	7/16/01	62,024	152,769

</TABLE>

- (1) The indicated dollar amounts are the result of calculations based on the exercise price of each option and assume five and ten percent annual appreciation rates set by the Securities and Exchange Commission over the term of the option and, therefore, are not intended to forecast possible future appreciation, if any, of the Company's stock price.
- (2) Each of these stock options vest and become exercisable on June 1, 1997 and expire five years from the date of grant.
- (3) Each of these stock options vest and become exercisable on June 1, 1998 and expire five years from the date of grant.
- (4) The Company granted Mr. Carney 150,000 stock options on July 23, 1996. The options vest and become exercisable in equal annual installments of 25% each on the first through fourth anniversaries of July 16, 1996, and expire on the fifth anniversary of the date of grant.

OPTION VALUE

The following table sets forth certain information with respect to the outstanding stock options as of August 22, 1996 for each of the named executive officers.

<TABLE>

<CAPTION>

	Number of Securities Underlying Unexercised Options at 8/22/96 (#)		Value of Unexercised In-the-Money Options at 8/22/96 (\$)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>
Name				
- ----				
William D. Forster..	-	-	-	-
Walter L. Williams..	-	150,000	-	18,750/(1)/
Keith F. Carney.....	-	150,000	-	18,750/(1)/

</TABLE>

(1) Market value of underlying securities at 8/22/96 (\$3.125), minus the exercise price.

CERTAIN RELATIONSHIPS AND TRANSACTIONS WITH MANAGEMENT

BSR Investments, Inc. ("BSR"), an entity holding approximately 27.6% of the outstanding shares of the Common Stock, is under the control of a member of the immediate family of Charif Souki, Secretary and a director of the Company. Mr. Souki has been engaged, from time to time, as a consultant to BSR. In addition, BSR has in the past provided certain financial advisory and other services to the Company on an arm's length basis. Mr. Souki disclaims beneficial ownership of all share held by BSR.

DIRECTOR LIABILITY

The Amended and Restated Certificate of Incorporation of the Company eliminates the liability of directors of the Company to the Company or its stockholders (in their capacity as directors but not in their capacity as officers) to the fullest extent permitted by Section 102 of the Delaware General Corporation Law, as the same may be amended from time to time (the "DGCL"). Specifically, under Section 102 of the DGCL, directors of the Company will not be personally liable for monetary damages for breach of a director's fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments or dividends or unlawful stock repurchases or redemption as provided in Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

DESCRIPTION OF CAPITAL STOCK

The Company has 21,000,000 authorized shares of stock, consisting of (a) 20,000,000 shares of the Common Stock, having a par value of \$.003 per share, and (b) 1,000,000 shares of preferred stock, having a par value of \$.0001 per share (the "Preferred Stock").

COMMON STOCK

As of the date of this Prospectus, there were 9,431,767 shares of the Common Stock outstanding. All of such outstanding shares of Common Stock are fully paid and nonassessable. Each share of the Common Stock has an equal and

ratable right to receive dividends when, as and if declared by the Board of Directors of the Company out of assets legally available therefor and subject to the dividend obligations of the Company to the holders of any Preferred Stock then outstanding.

In the event of a liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share equally and ratably in the assets available for distribution after payment of all liabilities, and subject to any prior rights of any holders of Preferred Stock that at the time may be outstanding.

The holders of Common Stock have no preemptive, subscription, conversion or redemption rights, and are not subject to further calls or assessments of the Company. There are no sinking fund provisions applicable to the Common Stock. Each share of Common Stock is entitled to one vote in the election of directors and on all other matters, submitted to a vote of stockholders. Holders of Common Stock have no right to cumulate their votes in the election of directors.

In accordance with the Reorganization Agreement and a letter agreement dated July 3, 1996 between Buddy Young and Cheniere, the Company agreed not to engage in any reverse split or any transaction that has the effect of a reverse split, resulting in the combination of shares of the Common Stock without the prior written consent of Mr. Young for a period of 18 months, ending on January 3, 1998.

PREFERRED STOCK

As of the date of this Prospectus, there were no shares of Preferred Stock outstanding. Preferred Stock may be issued from time to time in one or more series, and the Board of Directors, without further approval of the stockholders, is authorized to fix the dividend rates and terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences and any other rights, preferences, privileges and restrictions applicable to each series of Preferred Stock. The purpose of authorizing the Board of Directors to determine such rights, preferences, privileges and restrictions is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of Preferred Stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of Common Stock and, under certain circumstances, make it more difficult for a third party to gain control of the Company.

WARRANTS

The Company has issued and outstanding certain warrants described herein (collectively, the "Warrants"). The Company is not registering such Warrants or the Common Stock underlying such Warrants pursuant to the registration statement of which this prospectus is a part.

The Company has issued and outstanding 141,666 and 2/3 warrants (collectively, the "June Warrants"), each of which entitles the registered holder thereof to purchase one share of Common Stock. The June Warrants are exercisable at any time on or before June 14, 1999, at an exercise price of \$3.00 per share (subject to customary anti-dilution adjustments). The June Warrants were originally issued by Cheniere Operating and were converted to warrants of Cheniere following the Reorganization. The June Warrants were issued to a group of 11 investors in connection with a private placement of unsecured promissory notes of Cheniere Operating in the aggregate principal amount of \$425,000. The notes mature on September 14, 1996 (the "Maturity Date"). In the event that the Company fails to pay all amounts due and payable under the Notes by the Maturity Date, in addition to an increase in the applicable interest rate, the holders of any outstanding Notes would be entitled to receive up to an aggregate of 42,500 additional warrants (on similar terms) for each month, or partial month, any amounts remain due and payable following the Maturity Date, up to a maximum aggregate number of 170,000 such additional warrants. See "Management Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital Resources."

In consideration of certain investment advisory and other services to the Company, pursuant to warrant agreements each dated as of August 21, 1996, the Company issued to C.M. Blair & W.M. Foster & Co., Inc. and Redilew Corp. warrants to purchase 13,600 and 54,400 shares of Common Stock, respectively (collectively the "Adviser Warrants"). The Adviser Warrants are exercisable at any time on or before May 15, 1999 at an exercise price of \$3.00 per share (subject to customary anti-dilution adjustments).

In connection with the July and August 1996 placement of 508,400 shares of the Common Stock pursuant to Regulation S promulgated under the Securities Act of 1933, as amended (the "Securities Act"), the Company agreed to issue Warrants to purchase 12,500 shares of Common Stock to one of two distributors who placed the shares. The Warrants are exercisable on

28

or before the second anniversary of the sale of the shares of Common Stock at an exercise price of \$3.125 per share (subject to customary anti-dilution adjustments).

The Warrants do not confer upon the holders thereof any voting or other rights of a stockholder of the Company.

POSSIBLE ANTI-TAKEOVER PROVISIONS

The Amended and Restated Certificate of Incorporation of the Company

(the "Company's Charter") contains certain provisions that might be characterized as anti-takeover provisions. Such provisions may render more difficult certain possible takeover proposals to acquire control of the Company and make removal of management of the Company more difficult.

As described above, the Company's Charter authorizes a class of undesignated Preferred Stock consisting of 1,000,000 shares. Preferred Stock may be issued from time to time in one or more series, and the Board of Directors, without further approval of the stockholders, is authorized to fix the rights, preferences, privileges and restrictions applicable to each series of Preferred Stock. The purpose of authorizing the Board of Directors to determine such rights, preferences, privileges and restrictions is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of Preferred Stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of Common Stock and, under certain circumstances, make it more difficult for a third party to gain control of the Company.

The Company is incorporated under the laws of the State of Delaware. Section 203 of the Delaware General Corporation Law prevents an "interested stockholder" (defined as a stockholder owning 15 percent or more of a corporation's voting stock) from engaging in a business combination with such corporation for a period of three years from the date such stockholder became an interested stockholder unless (a) the corporation's board of directors had earlier approved either the business combination or the transaction by which the stockholder became an interested stockholder, or (b) upon attaining that status, the interested stockholder had acquired at least 85 percent of the corporation's voting stock (not counting shares owned by persons who are directors and also officers), or (c) the business combination is later approved by the board of directors and authorized by a vote of two-thirds of the stockholders (not including the shares held by the interested stockholder). Since the Company has not amended its Certificate of Incorporation or By-laws to exclude the application of Section 203, such section does apply to the Company and thus may inhibit an interested stockholder's ability to acquire additional shares of Common Stock or otherwise engage in a business combination with the Company.

In addition, William D. Forster, President and Chief Executive Officer of the Company, and BSR Investments, Inc. ("BSR"), an entity under the control of a member of the immediate family of Charif Souki, Secretary and a director of the Company, own in the aggregate approximately 57.8% of the outstanding shares of the Common Stock. Accordingly, Mr. Forster and BSR have the ability to effectively prevent or cause a change in control of the Company.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and registrar for the Common Stock is U.S. Stock Transfer Corporation.

SELLING STOCKHOLDERS

The Registration Statement has been filed under the Securities Act of 1933, as amended (the "Securities Act") to afford the holders of Common Stock the opportunity to sell such Common Stock in a public transaction. In order to avail itself of that opportunity, a holder must notify the Company in writing of its intention to sell Common Stock and request the Company to file a supplement to this Prospectus or an amendment to the Registration Statement identifying such holder as a Selling Stockholder and disclosing such other information concerning the Selling Stockholder and the Common Stock to be sold as may then be required by the Securities Act and rules and regulations thereunder, as applicable. The holders of Common Stock who have made such a request and as to which any such required supplement or amendment has been filed or become effective are referred to herein as "Selling Stockholders." The Company will from time to time supplement or amend this Prospectus to reflect the required information concerning any Selling Stockholders.

To date, the following stockholders have indicated to the Company that they wish to be "Selling Stockholders":

<TABLE>
<CAPTION>

<S> Name	Beneficial Ownership on the Date Hereof		<C> Number of Shares to be Offered	Beneficial Ownership After Sale	
	<C> Number of Shares	<C> Percent of Class		<C> Number of Shares	<C> Percent of Class
- - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -

</TABLE>

The Company has agreed, among other things, to bear all expenses (other than underwriting discounts and commissions, fees and expenses of investment bankers and brokerage commissions) incurred in connection with the registration and sale of the Common Stock covered by this Prospectus, including, without

limitation, all registration, listing and qualification fees, printers and accounting fees and fees and disbursements of counsel to the Company.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the ownership of the Common Stock, of: (i) each person known by the Company to own beneficially five percent or more of the outstanding Common Stock immediately prior to the offering; (ii) each of the Company's directors; (iii) each of the executive officers of the Company; and (iv) all directors and executive officers of the Company as a group.

<TABLE>
<CAPTION>

NAME OF BENEFICIAL OWNER -----	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING	
	NUMBER -----	PERCENTAGE OF SHARES OUTSTANDING -----
<S>	<C>	<C>
William D. Forster	2,846,211/(1)/	30.2%
BSR Investments, Inc.	2,602,000	27.6
Charif Souki	0/(2)/	
Walter L. Williams	30,000/(3)/	.3
Keith F. Carney	0/(3)/	-
Efrem Zimbalist III	20,000	.2
All directors and executive officers as a group (5 persons)..	2,896,211/(1)/(2)/	30.7

</TABLE>

- (1) Does not include 100,000 shares held by a trust for the benefit of Mr. Forster's mother of which trust Mr. Forster is a 20% remainderman and of which shares he disclaims beneficial ownership.
- (2) Does not include 2,602,000 shares held by BSR Investments, Inc., an entity under the control of a member of Mr. Souki's immediate family, of which shares Mr. Souki disclaims beneficial ownership.
- (3) Does not include 150,000 shares of the Common Stock issuable upon the exercise of options, not exercisable within 60 days of the date of this Prospectus, held by each of Mr. Williams and Mr. Carney.

PLAN OF DISTRIBUTION

The shares of the Common Stock offered hereby are being offered directly by the Selling Stockholders. The sale of the Common Stock may be effected by the Selling Stockholders from time to time in transactions in the over-the-counter market, in negotiated transactions or a combination of such methods of sale, in each such case, at fixed prices which may be changed, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. The Selling Stockholders may effect such transactions by selling Common Stock to or through broker-dealers, and such broker-dealers may receive compensation in the form of underwriting discounts, concessions or commissions from Selling Stockholders and/or purchasers of Common Stock for whom such broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer may be in excess of customary commissions). The Company will keep this Registration Statement or a similar registration statement effective until the earliest to occur of the date that (i) all securities registered pursuant to the Registration Statement of which this Prospectus is a part have been disposed of in accordance with the plan of disposition indicated herein, or (ii) all securities registered pursuant to the Registration Statement of which this Prospectus is a part have become eligible for sale pursuant to Rule 144(k) under the Securities Act, or (iii) is two years from the date of this Prospectus.

At the time a particular offer of the Common Stock is made, to the extent required, a supplemental Prospectus will be distributed which will set forth the number of shares of the Common Stock being offered and the terms of the offering including the name or names of any underwriters, dealers or agents, the purchase price paid by any underwriter for the Common Stock purchased from the Selling Stockholders,

any discounts, commissions and other items constituting compensation from the Selling Stockholders and any discounts, commissions or concessions allowed or reallocated or paid to dealers.

In order to comply with certain state securities laws, if applicable, the Common Stock will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the Common Stock may not be sold unless the Common Stock has been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with by the Company and the Selling Stockholder.

The Selling Stockholders and any brokers-dealers, agents or underwriters that participate with Selling Stockholders in the distribution of Common Stock may be deemed to be "underwriters" as defined in the Securities Act in which event all brokerage commissions or discounts and other compensation received by such Selling Stockholders, brokers-dealers, agents or underwriters may be deemed underwriting compensation under the Securities Act. In addition, any of the shares of Common Stock that qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this Prospectus.

Under applicable rules and regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any person engaged in the distribution of the Common Stock may not simultaneously engage in market making activities with respect to the Company for a period of nine business days prior to the commencement of such distribution. In addition and without limiting the foregoing, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including, without limitation, Rules 10b-6 and 10b-7, which provisions may limit the timing of purchases and sales of shares of Common Stock by the Selling Stockholders.

The Company agreed to register the Common Stock under the Securities Act and to indemnify and hold the Selling Stockholders harmless against certain liabilities under the Securities Act that could arise in connection with the sale by the Selling Stockholders of the Common Stock.

See "Selling Stockholders".

LEGAL MATTERS

Certain legal matters in connection with the Common Stock being offered hereby will be passed upon for the Company by Dewey Ballantine, New York, New York.

EXPERTS

The audited financial statements of Cheniere Operating included in this prospectus and elsewhere in the registration statement, to the extent and for the periods indicated in their reports, have been audited by Merdinger, Fruchter, Rosen & Corso, P.C., independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

The audited financial statements of Bexy Communications, Inc. included in this Prospectus and elsewhere in the registration statement, to the extent and for the periods indicated in their reports, have been audited by Farber & Hass, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

32

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy statements and other information with the Commission. The reports, proxy statements and other information filed by the Company with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at 7 World Trade Center, New York, New York 10048 and the Northwestern Atrium Center, 500 West Madison Street, Room 1400, Chicago, Illinois 60661. Copies of such material also can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates.

33

INDEX TO FINANCIAL STATEMENTS

CONTENTS

CHENIERE ENERGY OPERATING CO., INC.

<TABLE>	
<CAPTION>	
<S>	<C>
Independent Auditors' Report	F-2
Balance Sheet	F-3
Statement of Income	F-4
Statement of Cash Flows	F-5

Statement of Shareholders' Equity	F-6
Notes to Financial Statements	F-7
BEXY COMMUNICATIONS, INC. - - - - -	
Unaudited Balance Sheet May 31, 1996	F-8
Statement of Operations	F-9
Statements of Cash Flows	F-10
Notes to Financial Statements	F-11
Independent Auditors' Report - August 3, 1995	F-12
Balance Sheet	F-13
Statement of Operations	F-14
Statement of Shareholders' Equity	F-15 - F-16
Statement of Cash Flows	F-17 - F-18
Notes to Financial Statements	F-19 - F-21
Independent Auditors' Report - August 31, 1994	F-22
Balance Sheet	F-23
Statements of Operations	F-24
Statements of Shareholders' Equity	F-25
Statements of Cash Flows	F-26 - F-27
Notes to Financial Statements	F-28 - F-30

</TABLE>

F-1

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
CHENIERE ENERGY OPERATING CO., INC.

We have audited the accompanying balance sheet of CHENIERE ENERGY OPERATING CO., INC. as at April 22, 1996 and related statements of income, stockholders equity, and cash flows for the period from (inception) February 23, 1996 to April 22, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CHENIERE ENERGY OPERATING CO., INC. as of April 22, 1996 and the results of its operations and its cash flows for the period from (inception) February 23, 1996 to April 22, 1996 in conformity with generally accepted accounting principles.

MERDINGER, FRUCHTER, ROSEN & CORSO, P.C
Certified Public Accountants

New York, New York
April 22, 1996

CHENIERE ENERGY OPERATING CO., INC.
BALANCE SHEET
APRIL 22, 1996

<TABLE>
<CAPTION>

<S>	<C>
ASSETS	
CURRENT ASSETS	
Cash in Bank	\$ 75,003
FIXED ASSETS	
Furniture and Fixtures	22,505
OTHER ASSETS	
Organization Costs	55,800

Total Assets	\$153,308
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	78,305

Total Liabilities	78,305
STOCKHOLDERS' EQUITY	
Common Stock, 2,000 shares authorized, issued and outstanding 625 shares, no par value	75,003

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$153,308
	=====

</TABLE>

The accompanying notes are an integral part of the financial statements.

CHENIERE ENERGY OPERATING CO., INC.
STATEMENT OF INCOME
(INCEPTION) FEBRUARY 23, 1996 TO APRIL 22, 1996

<TABLE>
<CAPTION>

<S>	<C>
REVENUE	
Income	\$ -
EXPENSES -	
NET PROFIT (LOSS)	\$ -
	=====

</TABLE>

The accompanying notes are an integral part of the financial statements.

CHENIERE ENERGY OPERATING CO., INC.
STATEMENT OF CASH FLOWS
(INCEPTION) FEBRUARY 23, 1996 TO APRIL 22, 1996

<TABLE>
<CAPTION>

<S>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Organization Costs	\$(55,800)

Increase in Accounts Payable	78,305

NET CASH PROVIDED BY OPERATING ACTIVITIES	22,505
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(22,505)
NET CASH USED BY INVESTING ACTIVITIES	(22,505)
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in Common Stock	75,003
NET CASH PROVIDED BY FINANCING ACTIVITIES	75,003

NET INCREASE IN CASH	75,003
CASH - BEGINNING OF PERIOD	-
CASH - END OF PERIOD	\$ 75,003
	=====

</TABLE>

The accompanying notes are an integral part of the financial statements.

F-5

CHENIERE ENERGY OPERATING CO., INC.
STATEMENT OF SHAREHOLDERS' EQUITY
(INCEPTION) FEBRUARY 23, 1996 TO APRIL 22, 1996

<TABLE>
<CAPTION>

	Common Stock	
	Shares	Amount
	Outstanding	
	-----	-----
<S>	<C>	<C>
Sale of Shares	625	75,003
	-----	-----
Balance - April 22, 1996	\$ 625	\$ 75,003
	=====	=====

</TABLE>

The accompanying notes are an integral part of the financial statements.

F-6

CHENIERE ENERGY OPERATING CO., INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 22, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

a. Background

Cheniere Energy Operating Co., Inc. ("The Company") incorporated in Delaware on February 23, 1996, is a Houston, Texas based independent oil and gas exploration business focusing initially on the Louisiana Gulf Coast. The Company has entered into an exploration agreement with another entity, whereby the Company is attempting to raise capital in return for a 50% working exclusive interest participation in the leasing and drilling of all prospects generated along a particular section of the Louisiana Coast.

b. Fixed Assets

The Company has capitalized furniture and fixtures and will be depreciating them under the straight line method over seven years.

c. Organization Costs

The Company has capitalized legal and accounting fees related to its organization and will amortize them over a 60 month period.

F-7

BEXY COMMUNICATIONS INC.
CONSOLIDATED BALANCE SHEET (UNAUDITED)
MAY 31,

<TABLE>

<CAPTION>

ASSETS	1996	1995
<S>	<C>	<C>
Cash	\$ 63,541	\$ 78,397
Accounts Receivable	68,800	63,620
Program Inventory, Net	52,756	511,244
Furniture and Fixtures, (Net of Accumulated Depreciation of \$3,464 and \$2,262)	622	1,258
Other Assets	4,600	12,121
	-----	-----
Total Assets	\$ 190,319	\$ 666,640
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY LIABILITIES		
Accounts Payable and Accrued Expenses	39,849	\$ 64,502
Accrued Interest Expense to Related Party	37,209	38,924
Note Payable	-	180,000
Note Payable to Related Party	-	76,219
Deposits	2,000	2,000
Deferred Income	16,000	-
	-----	-----
Total Liabilities	95,058	361,648
	-----	-----
STOCKHOLDERS' EQUITY		
Common Stock, Par Value \$.01, 25,000,000		
Shares Authorized, 1,803,459 and 1,490,951 Shares		
Issued and Outstanding	147,404	130,289
Contributed Capital	1,116,581	915,828
Accumulated Deficit	(1,138,489)	(659,910)
	-----	-----
Notes Receivable from Stockholders	(30,235)	(81,212)
	-----	-----
Total Stockholders' Equity	95,261	304,995
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 190,319	\$ 666,640
	=====	=====

</TABLE>

F-8

BEXY COMMUNICATIONS INC.
CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

<TABLE>

<CAPTION>

	For the		For the	
	Three Months Ended		Nine Months Ended	
	May 31, 1996	May 31, 1995	May 31, 1996	May 31, 1995
<S>	<C>	<C>	<C>	<C>
REVENUE	\$ 7,500	\$ 45,689	\$ 49,758	\$ 101,867
Cost of Programs and Distribution Fees	3,826	40,852	29,071	125,514
	-----	-----	-----	-----
	3,674	4,837	20,687	(23,647)
	-----	-----	-----	-----
EXPENSES:				
Advertising	2,042	-	10,101	225
Salaries	-	2,739	-	8,216
Consulting Fees to Majority Shareholder	21,000	-	59,500	-
General and Administrative	10,116	11,510	100,545	43,574
Depreciation	300	302	900	906
Interest	-	1,718	-	6,328
Professional Fees	13,158	1,811	35,144	6,066
Rent	3,645	10,406	11,443	26,381
	-----	-----	-----	-----

Total Expenses	50,261	28,486	217,633	91,696
Other Income	540	-	1,819	4,162
Net Loss	(46,047)	(23,649)	(195,127)	(111,181)
Net Loss per Share	(.02)	(.02)	(.10)	(.08)
Weighted Average Number of Shares Outstanding	1,803,459	1,455,950	1,681,203	1,450,450

F-9

BEXY COMMUNICATIONS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTH PERIODS ENDED MAY 31,

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$(195,127)	\$(111,181)
Adjustments to Reconcile Net Loss to Net Cash (Used By) Operating Activities:		
Amortization of Film Costs	2,700	58,255
Depreciation	900	906
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(5,600)	(28,420)
Other Assets	2,122	-
Accounts Payable and Accrued Expenses	3,539	19,962
Accrued Interest Expense	(4,981)	6,328
Net Cash (Used By) Operating Activities	(196,447)	(54,150)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Furniture and Fixtures	(566)	-
Net Change in Notes Receivable	16,439	51,788
Net Cash Provided By Investing Activities	15,738	51,788
CASH FLOWS FROM FINANCING ACTIVITIES:		
Sale of Common Stock	137,500	130,976
Repayment of Note Payable	-	(5,000)
Net Repayment to Related Party	(7,519)	(51,781)
Net Cash Provided by Financing Activities	129,981	74,186
Net (Decrease) Increase in Cash	(50,593)	71,824
CASH - BEGINNING OF YEAR	114,134	6,573
CASH - END OF YEAR	\$ 63,541	\$ 78,397

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid for Interest	\$ 4,983	\$
Cash Paid for Income Taxes	\$	\$ 1,221

</TABLE>

F-10

BEXY COMMUNICATIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 1996

NOTE 1 - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the

opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior period to conform to the current periods presentation.

The financial statements include the Company's wholly owned subsidiary, MAR Ventures Inc., a Delaware Corporation, which acquired substantially all of the assets and liabilities of the Company on April 16, 1996.

For further information refer to the financial statements and footnotes included in the Registrant's Annual Report on Form 10-KSB for the year ended August 31, 1995, which indicated a going concern report as to the Company's ability to continue in existence.

The Results of Operations for any interim period are not necessarily indicative of the results to be expected for the full fiscal year ended August 31, 1996.

Unclassified Balance Sheet - In accordance with the provisions of SFAS No. 53, the Company has elected to present an unclassified balance sheet.

Per Share Information - Net loss per share for the periods presented is computed on the basis of the weighted average common shares outstanding.

NOTE 2 - GENERAL AND ADMINISTRATIVE EXPENSES

The Company has expended approximately \$46,000 through May 31, 1996 to fund certain start-up costs of a company owned by the Company's majority shareholder. In exchange for funding the start-up costs, the majority shareholder granted the Company an option to purchase the Company for \$50,000, which was terminated on April 16, 1996.

NOTE 3 - SUBSEQUENT EVENTS

On July 3, 1996, a date subsequent to the balance sheet date, the shareholders approved a plan which transferred the assets and liabilities to a new subsidiary, MAR Ventures Inc. and which changed the Company's business from the television production and health information business to the business of oil and gas exploration.

As part of the reorganization, the Company issued new shares of its stock in exchange for all of the stock of Cheniere Energy Operating Co., Inc. resulting in a change in control of the Company and distribution of the shares of MAR Ventures Inc. to its existing shareholders. MAR Ventures Inc. assumes the Company's liabilities, including its obligations under the reorganization agreement.

F-11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bexy Communications, Inc.:

We have audited the accompanying balance sheet of Bexy Communications, Inc. (the "Company") as of August 31, 1995. We have also audited the statements of operations, shareholders' equity and of cash flows for the two years ended August 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at August 31, 1995, and the results of its operations and its cash flows for each of the two years ended August 31, 1995 in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

November 9, 1995

F-12

BEXY COMMUNICATIONS, INC.

BALANCE SHEET
AUGUST 31, 1995<TABLE>
<CAPTION>

<S>	<C>
ASSETS	
CASH	\$114,134
ACCOUNTS RECEIVABLE	63,200
PROGRAM INVENTORY, Net	55,456
FURNITURE AND FIXTURES - Net of accumulated depreciation of \$2,564	956
OTHER ASSETS	6,722

TOTAL ASSETS	\$240,468
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
LIABILITIES:	
Accounts payable and accrued expenses	\$ 36,310
Accrued interest to related party	42,189
Note payable to related party	7,519
Deposits	2,000
Deferred income	16,000

Total liabilities	104,018

COMMITMENTS AND CONTINGENCIES	
SHAREHOLDERS' EQUITY:	
Common stock, par value - \$.01, 25,000,000 shares authorized, 1,558,947 issued and outstanding	133,654
Contributed capital	992,831
Accumulated deficit	(943,361)
Notes receivable from shareholders	(46,674)

Total shareholders' equity	136,450

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 240,468
	=====

</TABLE>
See accompanying notes to financial statements.

F-13

BEXY COMMUNICATIONS, INC.

STATEMENTS OF OPERATIONS
FOR THE TWO YEARS ENDED AUGUST 31, 1995<TABLE>
<CAPTION>

<S>	1995	1994
	<C>	<C>
REVENUES	\$ 125,654	\$ 130,228
	-----	-----
COST OF PROGRAMS AND DISTRIBUTION FEES:		
Amortization of film costs	254,044	122,630
Distribution fees	63,087	52,036
	-----	-----
Total cost of programs and distribution fees	317,131	174,666
	-----	-----
EXPENSES:		

Advertising	2,300	22,552
General and administrative	65,227	54,227
Depreciation	1,208	850
Interest	9,593	10,167
Professional fees	108,315	60,105
Rent	16,513	21,281
	-----	-----
Total expenses	203,156	169,182
	-----	-----
NET LOSS	\$ (394,633)	\$ (213,620)
	=====	=====

</TABLE>		
NET LOSS PER SHARE	\$ (.27)	\$ (.17)
	=====	=====

See accompanying notes to financial statements.

F-14

BEXY COMMUNICATIONS, INC.

STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE TWO YEARS ENDED AUGUST 31, 1995

<TABLE>
<CAPTION>

	COMMON STOCK				NOTES RECEIVABLE FROM SHAREHOLDERS	TOTAL SHARE- HOLDER'S EQUITY
	SHARES OUTSTANDING	AMOUNT	CONTRIBUTED CAPITAL	ACCUMULATED DEFICIT		
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, SEPTEMBER 1, 1993	7,164,333	\$126,970	\$502,575	\$ (335,108)		\$ 294,437
ONE-FOR-SIX REVERSE STOCK SPLIT	(5,970,277)					
SALE OF SHARES	120,833	1,208	181,767		\$ (153,000)	29,975
ISSUANCE OF SHARES FOR SERVICES	45,062	451	12,179			12,630
CONSTRUCTIVE ISSUANCE OF SHARES RELATING TO THE PURCHASE OF PROGRAM INVENTORY	50,000	500	89,500			90,000
REPAYMENT ON NOTES RECEIVABLE					20,000	
20,000						
NET LOSS (213,620)				(213,620)		
	-----	-----	-----	-----	-----	-----
BALANCE, AUGUST 31, 1994	1,409,951	129,129	786,021	(548,728)	(133,000)	233,422

(Continued)

F-15

BEXY COMMUNICATIONS, INC.

STATEMENTS OF SHAREHOLDERS' EQUITY - CONTINUED
FOR THE TWO YEARS ENDED AUGUST 31, 1995

<TABLE>
<CAPTION>

	COMMON STOCK				NOTES RECEIVABLE FROM SHAREHOLDERS	TOTAL SHARE- HOLDER'S EQUITY
	SHARES OUTSTANDING	AMOUNT	CONTRIBUTED CAPITAL	ACCUMULATED DEFICIT		
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, AUGUST 31, 1994	1,409,951	129,129	786,021	(548,728)	(133,000)	233,422
CANCELLATION OF CONSTRUCTIVE ISSUANCE	(50,000)	(500)	(89,500)			(90,000)
SALE OF SHARES	151,000	4,573	231,393			235,966
ISSUANCE OF SHARES FOR SERVICES	45,168	452	64,917			65,369
REPAYMENT ON NOTES RECEIVABLE					86,326	86,326

ISSUANCE OF SHARES FOR ROUNDING	2,828					
NET LOSS				(394,633)		(394,633)
BALANCE, AUGUST 31, 1995	1,558,947	\$133,654	\$992,831	\$ (943,361)	\$ (46,674)	\$ 136,450

</TABLE>

See notes to financial statements.

F-16

BEXY COMMUNICATIONS, INC.

STATEMENTS OF CASH FLOWS
FOR THE TWO YEARS ENDED AUGUST 31, 1995

<TABLE>

<CAPTION>

	1995	1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (394,633)	\$ (213,620)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	1,208	850
Amortization of film costs	239,044	122,630
Issuance of stock for services	65,369	12,630
Write-off of investment	10,000	
Changes in operating assets and liabilities:		
Increase in accounts receivable	(28,000)	(22,151)
Decrease in program inventory		3,083
Increase in other assets	(4,601)	(2,121)
Decrease in accounts payable and accrued expenses	(8,230)	(24,149)
Increase in deferred income	16,000	
Increase in accrued interest expense	9,593	10,030
Increase in deposits		2,000
Net cash used by operating activities	(94,250)	(110,818)
CASH FLOWS FROM INVESTING ACTIVITIES - Capital expenditures		(2,577)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment on note payable		(2,038)
Borrowings from related party	34,519	38,000
Repayments to related party	(155,000)	
Sale of common stock	189,292	49,975
Collections on note receivable	133,000	
Net cash provided by financing activities	201,811	85,937
NET INCREASE (DECREASE) IN CASH	107,561	(27,458)
CASH, BEGINNING OF PERIOD	6,573	34,031
CASH, END OF PERIOD	\$ 114,134	\$ 6,573

</TABLE>

(Continued)

F-17

BEXY COMMUNICATIONS, INC.

STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE TWO YEARS ENDED AUGUST 31, 1995

1995 1994

SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION:

Cash paid for interest	\$ -0-	\$ -0-
Cash paid for income taxes	\$1,566	\$ 800

SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:

During 1995, the Company reduced the carrying value of its program inventory by \$235,500 in order to reflect a lower of cost or market valuation on certain program inventory. In addition, the Company wrote-off its investment (\$10,000) in the "Victims" television series.

During 1994, the Company issued a note payable amounting to \$185,000 and common stock amounting to \$90,000 for the acquisition of a program series entitled "Feelin' Great". During 1995, the Company negotiated with the seller to cancel the acquisition and the related debt and common stock. The program was returned to the seller.

During 1995, the Company issued shares of common stock in exchange for notes receivable totalling \$46,674. In addition, the Company issued 45,168 shares of common stock in exchange for services.

See accompanying notes to financial statements.

F-18

BEXY COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION - Bexy Communications, Inc. (the "Company") was incorporated under the laws of the State of Delaware. The Company is engaged in the production and distribution of television programming, focusing on health information for the general public through print and electronic media that entertains as well as informs.

Effective July 18, 1994, the Company approved a one-for-six reverse split of its outstanding common stock.

GOING CONCERN - The Company experienced significant operating losses for the fiscal years ended August 31, 1995 and 1994. The financial statements have been prepared assuming the Company will continue to operate as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business. No adjustment has been made to the recorded amount of assets or the recorded amount or classification of liabilities which would be required if the Company were unable to continue its operations. As discussed in Note 6, management has developed an operating plan which they believe will generate sufficient cash to meet its obligations in the normal course of business.

UNCLASSIFIED BALANCE SHEET - In accordance with the provisions of SFAS No. 53, the Company has elected to present an unclassified balance sheet.

CONCENTRATION OF CREDIT RISK - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade receivables. The Company has substantially all of its cash on deposit in one financial institution. The Company routinely assesses the financial strength of its customers and normally does not require collateral to support customer receivables. At August 31, 1995, the Company had four customers which accounted for approximately 81% of trade accounts receivable.

FURNITURE AND FIXTURES - Furniture and fixtures are recorded at cost and depreciated over an estimated useful life of 3 years using the straight-line method.

LICENSE AGREEMENTS - Revenue from television licensing agreements and the related film costs are recognized upon the execution of a licensing agreement, provided certain conditions have been met, including availability of the film for broadcast.

PROGRAM INVENTORY - Program inventory is stated at the lower of cost or estimated net realizable value, determined on a film-by-film basis. Film costs include production, print and pre-release costs. These costs are amortized in the ratio of the current year's gross revenue to management's estimate of remaining gross revenues from all sources on an individual film basis.

The Company continually evaluates the carrying value of its program inventory. Based on the lower than forecasted revenues of its film library experienced in 1995 and current projections indicating a continued decline in film revenues, the Company re-evaluated the future market value of its program inventory in the fourth quarter and recorded a write-down to reflect its value at the lower of cost or market. The adjustment totalled \$235,500 and was recorded in amortization of film costs.

GENERAL AND ADMINISTRATIVE EXPENSES - The Company has expended approximately \$12,000 through August 31, 1995 and an additional \$24,000 through November 9, 1995 to fund certain start-up costs of a company owned by the

F-19

Company's majority shareholder. In exchange for funding the start-up costs, the majority shareholder has granted the Company an option to purchase the company for \$50,000.

INCOME TAXES - The Company accounts for its income taxes in accordance with the provisions of Statement of Financial Accounting Standards 109 ("SFAS 109"). The asset and liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities.

The Company has net operating loss carryforwards of approximately \$740,000 and \$269,000 available to offset future Federal and California taxable income, respectively. Such loss carryforwards expire starting in 2006 through 2008.

PER SHARE INFORMATION - Net loss per share for the years presented is computed on the basis of the weighted average common shares outstanding. The number of shares used in the computation was 1,459,365 for the year ended August 31, 1995 and 1,256,444 for the year ended August 31, 1994.

<TABLE>
<CAPTION>

	<S>		<C>
2.	PROGRAM INVENTORY		
	At August 31, 1995, the program inventory consisted of the following:		
	"Heartstoppers...Horror At The Movies"		
	A two-hour television program hosted by George Hamilton	\$ 416,636	
	"Christmas at the Movies" - A one-hour television program hosted by Gene Kelly	106,000	
	"It's A Wonderful Life - A Personal Remembrance" hosted by Frank Capra, Jr.	41,786	

	Total	564,422	
	Less: accumulated amortization	(508,966)	

	Program Inventory, Net	\$ 55,456	
		=====	

</TABLE>

3. NOTE PAYABLE TO RELATED PARTY

Through August 31, 1995, a Trust controlled by Buddy Young, an officer, director and majority shareholder of the Company, advanced funds to the Company for operating expenses and film productions. The advanced funds accrue interest at a rate of 8% per annum. The balance of the note totalling \$7,519 and accrued interest of \$42,189 are currently due and are collateralized by the program inventory.

4. STOCK OPTION PLANS

In November 1993, the Company adopted a nonqualified stock option plan that covers certain key employees, consultants and directors as determined by the Board. The aggregate number of shares of common stock that may be issued pursuant to options under the plan will not exceed 416,666. Price and terms are determined at the discretion of the Board.

F-20

On November 11, 1993, the Board of Directors granted options to the

President and principal shareholder. Options to acquire 58,333 shares of the Company's common stock were granted at an exercise price of \$.60 per share. All of the shares are currently exercisable and expire on November 11, 2003.

5. COMMITMENTS AND CONTINGENCIES

The Company leases its primary office space under a one-year lease agreement expiring July 1996. Monthly rent on such lease is \$1,150. The Company has an option to extend the lease for one year. Total rent expense for all operating leases for the years ended August 31, 1995 and 1994 was \$16,513 and \$22,945, respectively.

6. MANAGEMENT PLANS

In fiscal 1995 and 1994, the Company generated net negative cash flows from operating activities of \$94,250 and \$110,818, respectively. Management expects that the forecasted sales and additional equity and debt financing will be adequate to finance the 1996 cash flow requirements. If the Company does not achieve the forecasted sales, the Company may have difficulty in continuing as a going concern. Management has developed alternative plans which include but are not limited to, merging with another company and obtaining additional financing sources.

7. SUBSEQUENT EVENT (UNAUDITED)

In September 1995, the Company sold 85,000 shares of its common stock for a total of \$93,500.

F-21

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bexy Communications, Inc.:

We have audited the accompanying balance sheet of Bexy Communications, Inc. (the "Company") as of August 31, 1994. We have also audited the statements of operations, shareholders' equity and of cash flows for the two years ended August 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at August 31, 1994, and the results of its operations and its cash flows for each of the two years ended August 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, effective September 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes".

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

FARBER & HASS

October 24, 1994

F-22

BEXY COMMUNICATIONS, INC.

BALANCE SHEET
AUGUST 31, 1994

<TABLE>
<CAPTION>

<S>	<C>
ASSETS	
CASH	\$ 6,573
ACCOUNTS RECEIVABLE	35,200
PROGRAM INVENTORY, Net	569,500
FURNITURE AND FIXTURES - Net of accumulated depreciation of \$1,356	2,164
OTHER ASSETS	12,121

TOTAL ASSETS	\$625,558 =====
LIABILITIES AND SHAREHOLDERS' EQUITY	
LIABILITIES:	
Accounts payable and accrued expenses	\$ 44,540
Accrued interest expense	32,596
Note payable	185,000
Note payable to related party	128,000
Deposits	2,000

Total liabilities	392,136 -----
COMMITMENTS AND CONTINGENCIES	
SHAREHOLDERS' EQUITY:	
Common stock (par value - \$.01, 25,000,000 shares authorized, 1,409,951 issued and outstanding)	129,129
Contributed capital	786,021
Accumulated deficit	(548,728)
Notes receivable from shareholders	(133,000)

Total shareholders' equity	233,422 -----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 625,558 =====

</TABLE>

See accompanying notes to financial statements.

F-23

BEXY COMMUNICATIONS, INC.

STATEMENTS OF OPERATIONS
FOR THE TWO YEARS ENDED AUGUST 31, 1994

<TABLE>
<CAPTION>

<S>	1994	1993
	-----	-----
	<C>	<C>
REVENUES	\$ 130,228	\$ 317,946
	-----	-----
COST OF PROGRAMS AND DISTRIBUTION FEES:		
Amortization of film costs	122,630	147,292
Distribution fees	52,036	133,757
	-----	-----
Total cost of programs and distribution fees	174,666	281,049
	-----	-----
EXPENSES:		
Advertising	22,552	27,083
General and administrative	54,227	44,457
Depreciation	850	348
Interest	10,167	18,992
Professional fees	60,105	62,209
Rent	21,281	14,769

Reserve on former employee advances		98,015
Total expenses	169,182	265,873
NET LOSS	\$ (213,620)	\$ (228,976)
Net loss per share	\$ (.17)	\$ (.19)

</TABLE>

See accompanying notes to financial statements.

F-24

BEXY COMMUNICATIONS, INC.

STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE TWO YEARS ENDED AUGUST 31, 1994

<TABLE>
<CAPTION>

	COMMON STOCK		CONTRIBUTED CAPITAL	ACCUMULATED DEFICIT
	SHARES OUTSTANDING	AMOUNT		
<S>	<C>	<C>	<C>	<C>
BALANCE, SEPTEMBER 1, 1992	7,164,333	\$126,970		(106,132)
CAPITAL CONTRIBUTIONS			\$ 160,573	
CONVERSION OF RELATED PARTY DEBT AND ACCRUED INTEREST			342,002	
NET LOSS				(228,976)
BALANCE, AUGUST 31, 1993	7,164,333	126,970	502,575	(335,108)
ONE-FOR-SIX REVERSE STOCK SPLIT	(5,970,277)			
SALE OF SHARES	120,833	1,208	181,767	
ISSUANCE OF SHARES FOR SERVICES	45,062	451	12,179	
CONSTRUCTIVE ISSUANCE OF SHARES RELATING TO THE PURCHASE OF PROGRAM INVENTORY	50,000	500	89,500	
NET LOSS				(213,620)
BALANCE, AUGUST 31, 1994	1,409,951	\$129,129	\$ 786,021	\$ (548,728)

</TABLE>

See notes to financial statements.

F-25

BEXY COMMUNICATIONS, INC.

STATEMENTS OF CASH FLOWS
FOR THE TWO YEARS ENDED AUGUST 31, 1994

<TABLE>
<CAPTION>

	1994	1993
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (213,620)	\$ (228,976)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	850	348

Amortization of film costs	122,630	147,292
Issuance of stock for services	12,630	
Reserve for former employee receivables		98,015
Expenses paid by officer		420
Changes in operating assets and liabilities:		
Increase in accounts receivable	(22,151)	(13,049)
(Increase) decrease in program inventory	3,083	(488,857)
Increase in other assets	(2,121)	(6,451)
Increase (decrease) in accounts payable and accrued expenses	(24,149)	91,255
Decrease in cash overdraft		(4,565)
Increase (decrease) in accrued interest expense	10,030	(3,994)
Increase in deposits	2,000	
	-----	-----
Net cash used by operating activities	(110,818)	(408,562)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES - Capital expenditures	(2,577)	
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment on note payable	(2,038)	(200)
Borrowings from related party	38,000	344,000
Repayments to related party		(61,780)
Sale of common stock	49,975	
Contributions to capital		160,573
	-----	-----
Net cash provided by financing activities	85,937	442,593
	-----	-----
NET INCREASE (DECREASE) IN CASH	(27,458)	34,031
CASH, BEGINNING OF PERIOD	34,031	-0-
	-----	-----
CASH, END OF PERIOD	\$ 6,573	\$ 34,031
	=====	=====

</TABLE>

(Continued)

F-26

BEXY COMMUNICATIONS, INC.

STATEMENTS OF CASH FLOWS
FOR THE TWO YEARS ENDED AUGUST 31, 1994 (CONTINUED)

	1994	1993
	----	----
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ -0-	\$ -0-
Cash paid for income taxes	\$ 800	\$ -0-

SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:

During the year ended August 31, 1994, the Company issued a note payable amounting to \$185,000 and common stock amounting to \$90,000 for the acquisition of a program series entitled "Feelin' Great" (see Notes 2 and 3).

During the year ended August 31, 1994, the Company issued shares of common stock in exchange for notes receivable totalling \$133,000.

During the year ended August 31, 1993, \$342,002 of related party debt and accrued interest were converted to contributed capital.

During the three years ended August 31, 1993, a former officer/director of the Company made repayments of principal and interest on the note payable to the bank and paid certain state income taxes due in the prior years. The amounts paid (approximately \$19,000) have been offset against the amounts due from former officers.

See accompanying notes to financial statements.

BEXY COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION - Bexy Communications, Inc. (the "Company") was incorporated under the laws of the State of Delaware. The Company is engaged in the production and distribution of television programming, focusing on health information for the general public through print and electronic media that entertains as well as informs.

Effective July 18, 1994, the Company approved a one-for-six reverse split of its outstanding common stock.

GOING CONCERN - The Company experienced significant operating losses for the fiscal year ended August 31, 1994. The financial statements have been prepared assuming the Company will continue to operate as a going concern which contemplates the realization of assets and the settlement of liabilities in the normal course of business. No adjustment has been made to the recorded amount of assets or the recorded amount or classification of liabilities which would be required if the Company were unable to continue its operations. As discussed in Note 7, management has developed an operating plan which they believe will generate sufficient cash to meet its obligations in the normal course of business.

UNCLASSIFIED BALANCE SHEET - In accordance with the provisions of SFAS No. 53, the Company has elected to present an unclassified balance sheet.

CONCENTRATION OF CREDIT RISK - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company routinely assesses the financial strength of its customers. The Company normally does not require collateral to support customer receivables. At August 31, 1994, the Company had one customer which accounted for approximately 86% of trade accounts receivable.

FURNITURE AND FIXTURES - Furniture and fixtures are recorded at cost and depreciated over an estimated useful life of 3 years using the straight-line method.

OTHER ASSETS - Other assets consist primarily of a 50% interest in the pilot program for the "Victims" television series.

LICENSE AGREEMENTS - Revenue from television licensing agreements and the related film costs are recognized upon the execution of a licensing agreement, provided certain conditions have been met, including availability of the film for broadcast.

INCOME TAXES - Effective September 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards 109 ("SFAS 109"). The adoption of SFAS 109 changes the Company's method of accounting for income taxes from the deferred method (APB 11) to an asset and liability method. The asset and liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities. The cumulative effect of the initial adoption on prior years' retained earnings was not significant. Additionally, the effect of the adoption of SFAS 109 for fiscal 1994 was not significant.

The Company has net operating loss carryforwards of approximately \$339,000 and \$177,000 available to offset future Federal and California taxable income, respectively. Such loss carryforwards expire starting in 2006 through 2008.

PER SHARE INFORMATION - Net loss per share for the years presented is computed on the basis of the weighted average common shares outstanding. The number of shares used in the computation was 1,256,444 for the year ended August 31, 1994 and 1,194,055 for the year ended August 31, 1993.

2. PROGRAM INVENTORY

Program inventory is stated at the lower of cost or estimated net realizable value, determined on a film-by-film basis. Film costs include production, print and pre-release costs. These costs are amortized in the ratio of the current year's gross revenue to management's estimate of remaining gross revenues from all sources on

an individual film basis.

At August 31, 1994, the program inventory consisted of the following:

<TABLE>
<CAPTION>

<S>	<C>
"Heartstoppers...Horror At The Movies" A two-hour television program hosted by George Hamilton	\$ 416,636
"Christmas at the Movies" - A one-hour television program hosted by Gene Kelly	106,000
"It's A Wonderful Life - A Personal Remembrance" hosted by Frank Capra, Jr.	41,786
"Feelin' Great" - 26 one-half hour episodes promoting a healthy lifestyle	275,000

Total	839,422
Less: accumulated amortization	(269,922)

Program Inventory, Net	\$ 569,500
	=====

</TABLE>
3. NOTE PAYABLE

In connection with the acquisition of a program series entitled "Feelin' Great", the Company issued a note payable to Hammond Productions in the amount of \$185,000. The note bears no interest, is secured by the existing 26 episodes of the series and scheduled maturities of the note are as follows for the years ending August 31:

<TABLE>
<CAPTION>

<S>	<C>
1995	\$ 85,000
1996	50,000
1997	50,000

	\$185,000
	=====

</TABLE>

4. NOTE PAYABLE TO RELATED PARTY

Through August 31, 1994, a Trust controlled by Buddy Young, an officer, director and majority shareholder of the Company, advanced funds to the Company for operating expenses and film productions. The advanced funds accrue interest at a rate of 8% per annum. The balance of the note, \$128,000, is due June 30, 1995 and is collateralized by the program inventory.

5. STOCK OPTION PLANS

In November 1993, the Company adopted a nonqualified stock option plan that covers certain key employees, consultants and directors as determined by the Board. The aggregate number of shares of common stock that may be issued pursuant to options under the plan will not exceed 416,666. Price and terms are determined at the discretion of the Board.

F-29

On November 11, 1993, the Board of Directors granted options to the President and principal shareholder. Options to acquire 58,333 shares of the Company's common stock were granted at an exercise price of \$.60 per share. All of the shares are currently exercisable and expire on November 11, 2003.

6. COMMITMENTS AND CONTINGENCIES

The Company leases its primary office space on a month-to-month basis at a rate of \$500 per month. The Company has also entered into a two year lease agreement for other office space expiring February 1996. Monthly rent on such lease is \$2,080. As this space is currently not being utilized, the Company has sublet the space commencing on September 1, 1994 and terminating August 31, 1995 for a monthly rental amount of \$2,080. Total rent expense for all operating leases for the years ended August 31, 1994 and 1993 was \$22,945 and \$14,769, respectively.

In connection with the acquisition of a television series entitled "Feelin' Great", the Company will pay to Hammond Productions three

percent of the gross revenues derived from the distribution of the existing twenty-six episodes.

7. MANAGEMENT PLANS

In fiscal 1994, the Company generated net negative cash flows from operating and investing activities of \$100,765. Management expects that the forecasted higher sales and cash flow from operations will be adequate to finance the 1995 cash flow requirements. If the Company does not achieve the forecasted higher sales, the Company may have difficulty in continuing as a going concern. Management has developed alternative plans which include but are not limited to, merging with another company and obtaining additional financing sources.

F-30

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFERING AND SALE OF THE COMMON STOCK OFFERED HEREBY, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND ANY SUCH INFORMATION OR REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH IT RELATES. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

TABLE OF CONTENTS

<TABLE> <CAPTION>	PAGE ----
<S>	<C>
Summary.....	2
Risk Factors.....	4
The Company.....	9
Use of Proceeds.....	9
Capitalization.....	9
Market Price and Dividend Information....	10
Selected Financial Data.....	11
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	12
Business and Properties.....	13
Management.....	25
Description of Capital Stock.....	27
Selling Stockholders.....	30
Principal Stockholders.....	31
Plan of Distribution.....	31
Legal Matters.....	32
Experts.....	32
Available Information.....	33

</TABLE>

2,844,211 SHARES

CHENIERE ENERGY, INC.

COMMON STOCK
(PAR VALUE \$.003 PER SHARE)

PART II

Information Not Required in Prospectus

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The Common Stock to be registered is to be offered for the account of the Common Stockholders. The estimated expenses of this offering, to be fully paid by the Company unless otherwise noted, in connection with the issuance and distribution of the securities being registered are as follows:

Accounting Fees and Expenses.....*
Legal Fees and Expenses.....*
Securities and Exchange Commission Filing Fee..... \$3,127.00

Miscellaneous Expenses.....*
Total.....*

* To be completed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Amended and Restated Certificate of Incorporation of the Company (the "Company's Charter") eliminates the liability of directors of the Company to the Company or its stockholders (in their capacity as directors but not in their capacity as officers) to the fullest extent permitted by Section 102 of the Delaware General Corporation Law, as the same may be amended from time to time (the "DGCL"). Specifically, under Section 102 of the DGCL, directors of the Company will not be personally liable for monetary damages for breach of a director's fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments or dividends or unlawful stock repurchases or redemption as provided in Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

The Company's Charter also provides that the Company shall indemnify all persons whom it may indemnify under Section 145 of the DGCL to the fullest extent permitted by such Section. Section 145(a) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Section 145(b) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted under similar standards, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine that despite the

adjudication of liability, such person is fairly and reasonably entitled to be indemnified for such expenses which the court shall deem proper.

Section 145 of the DGCL further provides that to the extent a director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections (a) and (b) or in the defense of any claim, issue, or matter therein, he shall be indemnified against expenses actually and reasonably incurred by him in connection therewith; that indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and that the corporation may purchase and maintain insurance on behalf of a director or officer of the corporation against any liability asserted against him or incurred by him in any such capacity or arising out of his status as such whether or not the corporation would have the power to indemnify him against such liabilities under such Section 145.

Article V of the Company's Bylaws contains detailed indemnification rights for the Company's directors, other employees and other agents. The Bylaws provide for indemnification exactly in accordance with the provision of Section 145 of the DGCL, with the exceptions that the Bylaws provide that: (i) indemnification shall be granted only upon the determination by a majority vote of a quorum of disinterested directors that the applicable standard of conduct is satisfied, whereas DGCL 145(e) (2) provides that less than a quorum of disinterested directors may approve indemnification; (ii) no indemnification or advance shall be made in circumstances where it would be inconsistent with the Company's Charter, a Stockholders' resolution, an agreement in effect at the time of accrual of the alleged cause of action, or that would be inconsistent with any condition imposed by a court in approving a settlement, whereas the DGCL contains no such provision.

The inclusion of the indemnification provisions in the Company's Charter and Bylaws may have the effect of reducing the likelihood of derivative litigation against directors, and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefitted the Company and its stockholders.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

In May and June 1996, Cheniere Operating issued 200 shares of its common

stock (which were exchanged for 2,000,000 shares of the Common Stock following the Reorganization) to a group of "accredited investors" (as defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended (the "Securities Act") pursuant to Rule 506 of Regulation D promulgated under the Securities Act ("Regulation D")). Cheniere Operating received net proceeds of \$2,883,000, net of offering costs, on cash sales of \$3,000,000.

In June 1996, Cheniere Operating issued 11 short term unsecured promissory notes with an initial interest rate of 8% and an aggregate face value of \$425,000 to a group of "accredited investors" (as defined in Rule 501(a) promulgated under the Securities Act) for \$425,000 in cash pursuant to Section 4(2) of the Securities Act.

In July 1996, Cheniere issued 50,000 shares of Common Stock to an "accredited investor" (as defined in Rule 501(a) promulgated under the Securities Act) for \$100,000 in cash pursuant to Rule 506 of Regulation D.

In July and August 1996, Cheniere issued 508,400 shares of Common Stock to a group of investors pursuant to Regulation S promulgated under the Securities Act. Cheniere received net proceeds of \$915,000 on cash sales of \$1,016,800 less placement fees of \$101,800 paid to Pinnacle Group, Ltd. and Ostis Ventures, Ltd. as placement agents.

II-2

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A. Exhibits

- 3.1 Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. ("Cheniere")
- 3.2 By-laws of Cheniere/*
- 4.1 Specimen Common Stock Certificate of Cheniere
- 5.1 Opinion of Dewey Ballantine/*
- 10.1 Exploration Agreement between FX Energy, Inc. (now known as Cheniere Energy Operating Co., Inc. ("Cheniere Operating")) and Zydeco Exploration, Inc.
- 10.2 First Amendment to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Operating) and Zydeco Exploration, Inc.
- 10.3 Second Amendment to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Operating) and Zydeco Exploration, Inc.
- 10.4 Form of Noteholders' Agreement ("Noteholders Agreement") between Cheniere Operating and the holders of promissory notes in the aggregate principal amount of \$425,000.00
- 10.5 Form of Warrant Agreement governing warrants of Cheniere issued in exchange for warrants of Cheniere Operating (which were issued pursuant to the Noteholders Agreement)
- 10.6 Asset Transfer, Assignment and Assumption Agreement between Bexy Communications, Inc. and Mar Ventures Inc.
- 10.7 Indemnification Agreement among Buddy Young, Cheniere, Cheniere Energy Operating Co., Inc. and the Stockholders of Cheniere Energy Operating Co., Inc. named therein
- 10.8 Form of Warrant Agreement between Cheniere and each of C.M. Blair & W.M. Foster & Co., Inc. and Redilew Corp
- 10.9 Consulting Agreement between Cheniere and Buddy Young
- 10.10 Letter Agreement between Cheniere and Buddy Young regarding reverse splits of the Common Stock
- 21.1 Subsidiaries of Cheniere
- 23.1 Consent of Dewey Ballantine (included in Exhibit 5.1)/*
- 23.2 Consent of Merdinger, Fruchter, Rosen & Corso, P.C.
- 23.3 Consent of Farber & Hass
- 24.1 Powers of Attorney included on signature page.

* To be filed by amendment.

B. Financial Statement Schedules

None

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933 (the "Securities Act");

II-3

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement.

Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of the issue.

II-4

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on the 23rd day of August, 1996.

CHENIERE ENERGY, INC.

By: /s/ William D. Forster

William D. Forster, President, Chief
Executive Officer and Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below under the heading "Signatures" constitutes and appoints William D. Forster his true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign any or all amendments to this registration statement of which this prospectus is a part, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement of which this prospectus is a part has been signed below by the following persons in the capacities indicated and on the 23rd day of August, 1996.

<TABLE> <CAPTION> Signature	Title
----- <S> /s/ William D. Forster	<C> President, Chief Executive Officer and Director
----- William D. Forster	(Principal Executive Officer)

/s/ Walter L. Williams Vice-Chairman and Director

Walter L. Williams

/s/ Keith F. Carney Chief Financial Officer and Treasurer

Keith F. Carney

/s/ Charif Souki Secretary and Director

Charif Souki

/s/ Efrem Zimbalist III Director

Efrem Zimbalist III

</TABLE>

EXHIBIT INDEX

Exhibit No. -----	Description -----
3.1	Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. ("Cheniere")
3.2	By-laws of Cheniere/*
4.1	Specimen Common Stock Certificate of Cheniere
5.1	Opinion of Dewey Ballantine/*
10.1	Exploration Agreement between FX Energy, Inc. (now known as Cheniere Energy Operating Co., Inc. ("Cheniere Operating")) and Zydeco Exploration, Inc.
10.2	First Amendment to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Operating) and Zydeco Exploration, Inc.
10.3	Second Amendment to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Operating) and Zydeco Exploration, Inc.
10.4	Form of Noteholders' Agreement ("Noteholders Agreement") between Cheniere Operating and the holders of promissory notes in the aggregate principal amount of \$425,000.00
10.5	Form of Warrant Agreement governing warrants of Cheniere issued in exchange for warrants of Cheniere Operating (which were issued pursuant to the Noteholders Agreement)
10.6	Asset Transfer, Assignment and Assumption Agreement between Bexy Communications, Inc. and Mar Ventures Inc.
10.7	Indemnification Agreement among Buddy Young, Cheniere, Cheniere Energy Operating Co., Inc. and the Stockholders of Cheniere Energy Operating Co., Inc. named therein
10.8	Form of Warrant Agreement between Cheniere and each of C.M. Blair & W.M. Foster & Co., Inc. and Redilew Corp
10.9	Consulting Agreement between Cheniere and Buddy Young
10.10	Letter Agreement between Cheniere and Buddy Young regarding reverse splits of the Common Stock
21.1	Subsidiaries of Cheniere
23.1	Consent of Dewey Ballantine (included in Exhibit 5.1)/*
23.2	Consent of Merdinger, Fruchter, Rosen & Corso, P.C.
23.3	Consent of Farber & Hass
24.1	Powers of Attorney included on signature page.

* To be filed by amendment.

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
BEXY COMMUNICATIONS, INC.

UNDER SECTIONS 242 AND 245 OF THE
DELAWARE GENERAL CORPORATION LAW
Originally incorporated under the name
All American Burger, Inc.

The undersigned, being the President of BEXY COMMUNICATIONS, INC., a corporation existing under the laws of the State of Delaware (the "Company"), does hereby certify as follows:

FIRST: The name of the Company is BEXY COMMUNICATIONS, INC.

SECOND: The certificate of incorporation of the Company was filed by the Secretary of State of the State of Delaware on the 25th day of March, 1983.

THIRD: The amendments to the certificate of incorporation effected by this Certificate are as follows:

- (1) To change the name of the Company to "Cheniere Energy, Inc.;"
- (2) To change the total number of shares of capital stock which the Company shall have authority to issue to 21,000,000 shares;
- (3) To amend and supplement the provisions of the certificate of incorporation relating to personal liability of the directors of the Company and indemnification by the Company;
- (4) To change the total number of the shares of common stock which the Company shall have authority to issue to 20,000,000 shares;
- (5) To change the par value of the common stock to \$.003 per share;
- (6) To add a provision authorizing the issuance of 1,000,000 shares of a new class of preferred stock, the rights, powers and preferences of which shall be set by resolution of the Board of Directors of the Company;
- (7) To change the registered office of the Company in the State of Delaware to 1013 Centre Road, City of Wilmington 19805, County of New Castle; and
- (8) To change the registered agent of the Company in the State of Delaware to Corporation Service Company, 1013 Centre Road, City of Wilmington 19805, County of New Castle.

FOURTH: The amendments and the restatement of the certificate of incorporation have been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware by the unanimous vote of the Board of Directors.

FIFTH: The text of the certificate of incorporation of said BEXY Communications, Inc. is hereby restated as amended by this Certificate, to read in full, as follows:

FIRST: The name of the corporation is Cheniere Energy, Inc. (hereinafter referred to as the "Company").

SECOND: The address of the registered office of the Company in the State of Delaware is 1013 Centre Road, City of Wilmington, County of New Castle, Delaware 19805. The name of the registered agent of the Company at such address is Corporation Service Company.

THIRD: The nature of the business or purposes to be conducted or promoted by the Company are to engage in, promote, and carry on any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (hereinafter referred to as the "GCL").

FOURTH: The total number of shares of stock that the Company shall have authority to issue is 21,000,000 shares, consisting of:

-2-

(1) 20,000,000 shares of Common Stock, having a par value of \$.003 per share; and

(2) 1,000,000 shares of Preferred Stock with a par value of \$.0001 per share.

The Board of Directors of the Company is authorized, subject to limitations prescribed by law and by filing any certificate prescribed by law, to establish the par value of such Preferred Stock, to provide for the issuance of such Preferred Stock in series, and to establish the number of shares to be included in each such series, the full or limited voting powers, or the denial of voting powers of each such series, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications or restrictions and other distinguishing characteristics, if any, of the shares of each such series. The authority of the Board of Directors with respect to the shares of each such series shall include, without limitation, determination of the following:

(a) the number of shares of each such series and the designation thereof;

(b) the par value of shares of each such series;

(c) the annual rate or amount of dividends, if any, payable on shares of each such series (which dividends would be payable in preference to any dividends on Common Stock), whether such dividends shall be cumulative or non-cumulative and the conditions upon which and/or the date when such dividends shall be payable;

(d) whether the shares of each such series shall be redeemable and, if so, the terms and conditions of such redemption, including the time or times when and the price or prices at which shares of each such series may be redeemed;

(e) the amount, if any, payable on shares of each such series in the event of liquidations, dissolution or winding up of the affairs of the Company;

(f) whether the shares of each such series shall be convertible into or exchangeable for shares of any other class, or any series of the same or any other class, and, if so, the terms and conditions thereof, including the price or prices or the rate or rates at which shares of each such series shall be so convertible or exchangeable, and the adjustment which shall be made, and the circumstances in which such adjustments shall be made, in such conversion or exchange prices or rates; and

(g) whether the shares of each such series shall have any voting rights in addition to those prescribed by law and, if so, the terms and conditions of exercise of voting rights.

FIFTH: The Board of Directors of the Company shall have the power to adopt, amend or repeal the Bylaws of the Company at any meeting at which a quorum is present by the affirmative vote of a majority of the whole Board of Directors. Election of directors need not be by written ballot. Any director may be removed at any time with or without cause, and the vacancy resulting from such removal shall be filled, by vote of a

-3-

majority of the stockholders of the Company at a meeting called for that purpose or by unanimous consent in writing of the stockholders.

SIXTH: Personal liability of the directors of the Company is hereby eliminated to the fullest extent permitted by paragraph (7) of subsection (b) of Section 102 the GCL, as the same may be amended from time to time.

SEVENTH: The Company shall, to the fullest extent permitted by Section 145 of the GCL, as amended from time to time, indemnify all persons whom it may indemnify pursuant thereto.

IN WITNESS WHEREOF, the undersigned being thereunto duly authorized has executed this Amended and Restated Certificate of Incorporation this 2nd day of July, 1996.

/s/ WILLIAM D. FORSTER

William D. Forster
President

-4-

CHENIERE ENERGY, INC.

TOTAL AUTHORIZED ISSUE
20,000,000 SHARES WITH PAR VALUE \$.003
COMMON STOCK

CUSIP 16411R 109

This is to Certify that (SPECIMEN) is the owner of
fully paid and non-assessable shares of the above Corporation
transferable only on the books of the Corporation by the holder hereof in person
or by duly authorized Attorney upon surrender of this Certificate properly
endorsed.

WITNESS, the facsimile seal of the Corporation and the facsimile signatures of
its authorized officers.

DATED

/s/ Charif Souki

/s/ William D. Forster

Secretary

President

EXPLORATION AGREEMENT
BETWEEN
ZYDECO EXPLORATION, INC.
AND
FX ENERGY, INC.
DATED
APRIL 4, 1996
EXPLORATION AGREEMENT
INDEX

1. USE OF THE SEISMIC FUNDS..... 2
2. SEISMIC FUNDS..... 3
3. EXCESS SEISMIC COSTS DUE TO TURNKEY CONTRACTS..... 4
4. DAMAGES TO THE STATE OF LOUISIANA UNDER THE EXCLUSIVE SEISMIC PERMIT.. 4
5. DISCONTINUANCE OF SEISMIC FUND PAYMENTS..... 4
6. PROSPECTS..... 6
7. PROSPECT DEVELOPMENT..... 6
9. PROSPECT TEST WELL..... 8
10. NON-PROPOSING PARTY'S ELECTION TO PARTICIPATE..... 8
11. ZEI'S OBLIGATIONS..... 9
12. ACCOUNTING OF SEISMIC FUNDS..... 9
13. RECORD TITLE..... 10
14. AREA OF MUTUAL INTEREST..... 10
15. SEISMIC DATA..... 11
16. GENERAL PROVISIONS..... 12

EXPLORATION AGREEMENT

This Exploration Agreement is made and entered into this 4th day of April, 1996, by and between Zydeco Exploration, Inc. ("ZEI") and FX Energy, Inc. ("FX").

W I T N E S S E T H :

WHEREAS, ZEI has considerable expertise in exploration and production activities in the formerly seismically-blind trends of southern Louisiana; and

WHEREAS, ZEI utilizes advanced seismic imaging and comprehensive well log analysis and integration to identify new drilling opportunities in an attempt to minimize the risk in each of the prospects so identified; and

WHEREAS, FX desires to acquire and explore for oil and gas reserves in the on- and off-shore area of coastal Louisiana; and

WHEREAS, FX and ZEI desire to work together to generate, develop, and exploit oil and gas exploration prospects in the coastal Louisiana area; and

WHEREAS, the parties desire to establish an area of mutual interest within which to develop exploration and drilling prospects to be shared by them; and

WHEREAS, the parties desire to delegate to ZEI the responsibility of managing the acquisition of seismic options and/or permits, managing the acquisition, processing, and reprocessing of seismic data, identifying potential prospects, acquiring leases and farmouts, interpreting geological and geophysical data, making drilling recommendations, and managing the exploration process, including selecting and monitoring a production operator, or

alternately, acting itself as production operator; and

WHEREAS, ZEI will contribute to the exploration program for costs a State of Louisiana exclusive seismic survey permit obtained at the State of Louisiana tender on February 14, 1996 (the "Exclusive Seismic Permit"), a copy of which is attached hereto as Exhibit "A," and all overhead costs associated with the development and interpretation of drillable prospects except for the costs of processing and re-processing seismic data and well logs; and

WHEREAS, FX will pay 100% of Seismic Costs, as hereafter defined, up to \$13,500,000 and 50% of Seismic Costs thereafter; and

WHEREAS, the parties memorialize their undertakings pursuant to the terms hereinafter set forth;

NOW, THEREFORE, in consideration of the foregoing, and of the mutual and dependent covenants hereinafter set forth, and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. USE OF THE SEISMIC FUNDS

ZEI shall obtain seismic data (the "Program Data") covering the lands depicted on Exhibit "B" and modified by Exhibit "B-1" (the "Initial Prospect Lands") using funds ("Seismic Funds") contributed by FX, subject to the understanding that should Seismic Costs, as defined herein, exceed \$13,500,000 (the "Target Costs"), ZEI and FX shall jointly bear all Seismic Costs in excess of Target Costs. The Seismic Funds shall be advanced by FX according to the schedule described in Section 2.

The Seismic Funds shall be applied by ZEI as follows:

- a. To ZEI as reimbursement for the expenses, including bonus, incurred to date in acquisition of the Exclusive Seismic Permit; then
- b. toward costs incurred by ZEI in acquiring and processing Program Data, including:
 - i. acquisition of proprietary seismic data, including, without limitation, the seismic data required under the Exclusive Seismic Permit, including quality control expenses and feasibility tests prior to commencement of acquisition of seismic data;
 - ii. obtaining permits to acquire seismic data;
 - iii. payments for options to obtain seismic data, and out of pocket costs incident thereto, including the state permit for 51,350 acres, (to the extent such permit is not reimbursed under the other provisions hereof);
 - iv. seismic processing and reprocessing costs;
 - v. licensing of seismic data owned by third parties;
 - vi. third party legal and professional expenses relating to the Exclusive Seismic Permit, or the acquisition or processing of Program Data;
 - vii. weather insurance, as applicable for non-turnkey agreements;
 - viii. turnkey contracts;
 - ix. damages paid by ZEI to landowners for damages to lands or possessions;
 - x. the cost of legal defense, judgments, and settlements relating to any claim or cause of action brought by a land or mineral owner relating to or arising out of the acquisition of seismic data hereunder;
 - xi. the cost of transmission or transportation of data from field to office and insurance costs associated therewith;
 - xii. any other third party expense reasonably incurred by ZEI in connection with the items enumerated under this Section.
- c. toward costs incurred by ZEI in acquiring permits, options to lease lands within the AMI, and leases of lands within the AMI

when necessary including:

- i. bonus and other payments made to parties for such options;
- ii. out-of-pocket costs incurred by ZEI in obtaining such options, e.g., landman costs, broker expenses, abstract charges, etc.;
- iii. third party legal, accounting, and professional expenses incurred in obtaining such options, both in examination of title and in negotiating options;
- iv. any other third party expense reasonably incurred by ZEI in connection with the items enumerated under this Section.

The term "Seismic Costs" shall include all items referred to in this Section 1.

3

2. SEISMIC FUNDS

FX shall pay the Seismic Funds to ZEI for deposit in the segregated account described in Section 12.a on the following schedule.

DATE ----	AMOUNT -----
1996-05-15	\$3,000,000.00
1996-06-30	1,000,000.00
1996-07-30	1,000,000.00
1996-08-30	1,000,000.00
1996-09-30	2,000,000.00
1996-10-30	1,000,000.00
1996-11-30	1,000,000.00
1996-12-30	1,000,000.00
1997-01-30	1,000,000.00
1997-02-28	1,500,000.00

Should FX fail to make the initial advance by May 15, 1996, this agreement shall terminate and be of no further force or effect.

3. EXCESS SEISMIC COSTS DUE TO TURNKEY CONTRACTS

The parties anticipate that ZEI may enter into one or more turnkey contracts. The parties estimate that the premium required for turnkey contracts may bring total Seismic Costs to \$15,000,000. Should turnkey costs cause Seismic Costs to exceed the Target Costs, the parties agree:

- (i) In lieu of FX bearing 100% of Seismic Costs up to \$13,500,000, FX shall bear 100% of Seismic Costs up to \$13,000,000.
- (ii) FX and ZEI shall bear Seismic Costs between \$13,000,000 and \$15,000,000 equally; and

4

- (iii) Any Seismic Costs in excess of \$15,000,000 shall be borne equally.

4. DAMAGES TO THE STATE OF LOUISIANA UNDER THE EXCLUSIVE SEISMIC PERMIT

The Exclusive Seismic Permit requires the payment of liquidated and other damages in certain situations. Should such be required, the parties agree that such damages shall be borne equally by FX and ZEI.

5. DISCONTINUANCE OF SEISMIC FUND PAYMENTS

- a. Should FX fail to make a Seismic Fund payment within thirty days

of the date due (a "Discontinuance"), the parties shall proceed as follows:

- i. The obligation of FX to make additional Seismic Fund payments shall terminate, as well as the right of FX to make such payments.
 - ii. ZEI shall, individually, or with the cooperation or assistance of one or more companies, complete acquiring or processing Program Data; provided however, it shall incur no liability to FX for failing to do so.
 - iii. At such time as ZEI acquires an interest in a lease covering a portion of the Initial Prospect Lands (which may be acquired by direct lease, assignment from an existing lease, or acquiring a farmout), ZEI shall determine the aggregate amount of Seismic Costs incurred to that date.
 - iv. FX shall be entitled to a prospect ownership interest (the "FX Prospect Interest") which, expressed as a percentage, is equal to the Seismic Funds FX paid divided by twice the total Seismic Funds expended. Thus a contribution of \$3.0 of Seismic Funds by FX when total Seismic Costs were \$12.0 million entitle FX to a FX Prospect Interest equal to 12.5%.
- b. Where ZEI itself, following a Discontinuance, contributes funds that otherwise would be provided by FX under the terms hereof, ZEI shall be entitled to receive back such funds, together with interest thereon at the prime interest rate, from revenues

5

attributable to the FX Prospect Interest (including, without limitation, any working interest or overriding royalty interest revenues from production or front end proceeds attributable to such interest when owned by FX under the applicable operating agreement or proceeds from the sale or license of seismic data).

- c. Subject to the provision immediately below, if a Discontinuance occurs, and ZEI does not itself fund the deficient Seismic Costs, ZEI may sell, trade, farm-out, lease, sublease or otherwise trade (collectively, a "Trade") the aggregate (i.e., both that of ZEI and FX) prospect interests to any party on arms' length terms. For this purpose the aggregate prospect interests includes all seismic data acquired hereunder, and revenues from a Trade include seismic data sale or license proceeds. Any revenues accruing from a Trade shall be applied toward the cost of completing the project contemplated hereunder.
- d. Should ZEI do a Trade and FX have funded \$8,000,000 or more prior to the Discontinuance, then the parties shall treat FX as having earned a vested prospect ownership interest of 25%, which shall be treated under the applicable operating agreement and not subject to any Trade, and any revenues from a Trade, which would in this instance cover a 75% prospect ownership interest, shall be shared 33-1/3% by FX and 66-2/3% by ZEI.

6. PROSPECTS

As used herein, "prospect" shall mean a block of acreage suitable for exploration, including leasehold, operating, nonoperating, mineral and royalty interests, licenses, permits, and contract rights relating thereto.

Upon acquisition of the Program Data, ZEI shall evaluate such data for prospects. Prospects found during the initial review of such seismic data are hereinafter referred to as the "Prospects."

7. PROSPECT DEVELOPMENT

a. Prospect Preparation

ZEI will prepare the Prospects for evaluation, which shall include, among other things, the following:

6

- i. examination of land and lease titles to determine lands and leases available for lease or farmout;

- ii. leasing of lands within the Prospect perimeters, and, where such lands are under lease, acquiring farmouts;
- iii. geological and geophysical interpretation;
- iv. mapping; and
- v. permitting.

b. Operating Agreement for Prospects

Each Prospect will be drilled and operated under an operating agreement in the form of that attached hereto as Exhibit "C" (the "Default Operating Agreement"). Each such operating agreement shall cover the Prospect Lands for the applicable Prospect. The parties acknowledge that for one or more of the Prospects, third parties may participate in the drilling of wells. Such parties may request changes in the applicable operating agreement. ZEI and FX agree to negotiate changes as may be requested in good faith. On one or more Prospects, ZEI may itself not wish to act as operator. In such event ZEI may designate a qualified third party to act as operator of the Prospect.

In the event of any inconsistency or conflict between the terms and provisions of this Agreement and of the operating agreement covering any Prospect or other prospect developed hereunder, the terms and provisions of this Agreement shall prevail.

c. Notice to FX of Completion of Prospect Assembly and Development

ZEI will notify FX when a Prospect's assembly and development is complete. Subject to any applicable restrictions imposed in confidentiality agreements or license agreements, ZEI will make available to FX in ZEI's office all seismic materials, maps, geological reports leases, farmout agreements or other materials in its possession reasonably relevant to a decision to participate in the drilling of the Prospect test well and prospect. ZEI shall give FX access to ZEI's 3D work stations during normal business hours as necessary or appropriate to allow FX to evaluate 3D seismic data relevant to the prospect.

8. PROSPECT EXPENSES

- a. Program expenses ("Prospect Expenses") are to be borne equally by ZEI and FX and include the following costs of preparing the Prospects for evaluation, development, and drilling:
 - i. lease bonuses and brokerage for additional leases wholly or partly within the Prospect Lands;
 - ii. delay or shut in rental payments on leases or interests acquired hereunder;
 - iii. third party legal and professional expenses relating to the acquisition or maintenance of leases or farmouts;
 - iv. any other third party expense reasonably incurred by ZEI in connection with the items enumerated under this Section or in Section 7;
 - v. engineering costs

provided, however, if FX fails to pay the full amount of the Target Costs, FX shall bear a percentage of the Prospect Expenses equal to its FX Prospect Interest. FX shall have the opportunity to participate for a working interest in Prospect leases and farmouts equal to its FX Prospect Interest.

- b. Should FX fail to pay Prospect Expenses within thirty days of receipt of a billing therefor, and ZEI demand payment of such Prospect Expenses by written demand delivered by certified mail, return receipt requested, and FX not pay the delinquent Prospect Expenses within fifteen (15) days of receipt of the certified mail demand; then
 - i. FX shall have no liability for such Prospect Expenses;
 - ii. FX shall be deemed to have declined to participate in the Prospect in question; and

- iii. FX shall promptly, upon request, quitclaim to ZEI any interest it has or might have in the Prospect in question.

8

9. PROSPECT TEST WELL

For a period of ninety days following ZEI's delivery of the notice provided in Section 7.c advising that a Prospect's assembly and development is complete, ZEI shall have the exclusive right to propose a well. Thereafter, either party may propose a well. The proposing party shall include the following information with its notice:

- a. the spud date scheduled for the initial test well on the Prospect, which shall not be less than 90 days from the date of notice (subject to rig availability) unless a farmout requirement or lease termination necessitates a shorter period;
- b. the target formation;
- c. an AFE for the test well, with dry hole and completion costs shown;
- d. whether the well is recommended to be drilled on a turnkey, daywork, or footage basis;
- e. an estimated economic evaluation of the Prospect; and
- f. the Default Operating Agreement for signature, revised to include the legal description of the Prospect in question.

10. NON-PROPOSING PARTY'S ELECTION TO PARTICIPATE

Within 30 days of its receipt of the notice described in Section 9 above, the non-proposing party shall advise the proposing party of the working interest, if any, with which the non-proposing party will either take itself or sell to a third party. If the aggregate working interest for which the non-proposing party will either itself participate or sell to a third party is less than the working interest owned by the non-proposing party, the non-proposing party shall assign the balance of its working interest to proposing party or its designee. Such assignment shall be in the form of that attached hereto as Exhibit "D" (the "Assignment"). As provided in the Assignment, the non-proposing party will reserve a 2% of 8/8ths overriding royalty until payout, as therein defined, together with an option to convert said overriding royalty interest to a 20% of 8/8ths working interest at payout, both the overriding royalty and working interest to be proportionately reduced to reflect the working interest assigned.

Any consideration received by a party for the sale or farming out of a portion of its working interest shall be solely for such party's account.

9

Should a non-proposing party fail to assign its excess interest under the Assignment prior to ten days before the scheduled spud date, the excess interest will be drilled subject to the non-consent provisions of the Default Operating Agreement, which provides for a forfeiture of interest on Exploratory Operations, as defined therein.

11. ZEI'S OBLIGATIONS

Without further consideration, ZEI shall undertake the following:

- a. to provide all management and administration necessary to prepare the Prospects for drilling, as more fully described under Section 7.a;
- b. all bonding requirements necessary to maintain leases acquired pursuant hereto;
- c. geophysical and geological evaluations of the Prospects; and
- d. estimated economic evaluations of the Prospects.

Notwithstanding the foregoing, FX shall reimburse ZEI for one-half the cost of bonding a Lease at the time ZEI delivers an assignment of an interest in the Lease to FX.

ZEI shall have the sole authority to determine the specifications of acquiring, processing, and reprocessing seismic data and well logs. Further,

ZEI has the option of performing all or partial sequencing of the seismic data or well log processing utilizing its own facilities.

12. ACCOUNTING OF SEISMIC FUNDS

a. Segregated Account

For ease of accounting, ZEI shall segregate the Seismic Funds into a separate account (the "Seismic Fund Account"). Such account shall be styled to put third parties on notice that the funds are held for the joint account of FX and ZEI. Except where impractical, all Seismic Costs shall be withdrawn directly from the Seismic Fund Account.

10

b. Accounting

Not less than 45 days after the end of each calendar quarter, ZEI shall give FX a detailed accounting of all funds withdrawn from the Seismic Fund Account. ZEI shall furnish documentation supporting Seismic Fund expenditures to FX upon request.

c. Right to Audit

FX shall have such rights of audit as are available to a non-operator under the Default Operating Agreement.

d. Internally Generated Statements

Prior to the end of each month ZEI shall forward to FX internally prepared statements for the prior month showing revenues and expenses charged to the Seismic Fund Account.

e. Joint Signature Account

Should the timing of Seismic Costs and payment of the Seismic Funds be such that the Seismic Fund Account would have in excess of \$2,000,000 at one time, ZEI and FX shall jointly deposit the excess funds (i.e., those over \$2,000,000) into a joint signature account.

13. RECORD TITLE

a. ZEI shall obtain title to leases acquired pursuant hereto (the "Leases"). ZEI shall assign to FX its leasehold interest in a Lease utilizing the form of assignment provided herein. Such assignment shall be delivered after FX has paid all Prospect Expenses billed to it hereunder and:

- i. a well is ready for drilling; or
- ii. front end costs have been paid to ZEI by a third party working interest owner, or
- iii. a farmout of the prospect has been signed.

b. Each of ZEI and FX agree not to pledge, mortgage, or hypothecate any Lease without the consent of the other prior to the time a well is spudded on such Lease or a unit containing

11

such Lease. Each of ZEI and FX further agree not to pledge, mortgage or hypothecate any seismic data obtained hereunder.

14. AREA OF MUTUAL INTEREST

The parties hereby designate an Area of Mutual Interest ("AMI"). The AMI shall encompass the Initial Prospect Lands. Should ZEI acquire as a Seismic Cost data covering lands outside the Initial Prospect Lands, the AMI shall be deemed enlarged to cover all lands covered by such seismic data. Any interest taken by either party after May 16, 1996 and prior to May 15, 2001 in an oil and gas lease, exploration option, operating agreement, farm-in, deed coupled with mineral interest, or any similar agreement which creates or effects an interest in hydrocarbons in lands within the AMI (an "Interest"), or acquisition of a contractual right to acquire an Interest, shall be deemed taken for development under this agreement. The party acquiring an Interest shall, within thirty (30) days of the time of such acquisition, notify, in writing, the non-acquiring party. The notice shall describe the interest and set forth the terms of such acquisition, the consideration paid, any other acquisition costs, and other

obligations assumed. The non-acquiring party will then have the right, within thirty (30) days of the receipt of such notice, to elect in writing to receive an assignment of one half (or, if smaller, its working interest ownership determined by the FX Prospect Interest, as applicable) of each such acquired Interest and the obligations connected therewith. If the non-acquiring party elects to take such an assignment, the non-acquiring party shall tender to the acquiring party, at the time it gives notice of its election, its share of the consideration and acquisition costs actually paid by the acquiring party, and in consideration thereof, shall receive an assignment of its share of the Interest with covenants of special warranty. The failure to make such election and to tender its share of the consideration and costs within such thirty (30) day period shall constitute a waiver of the non-acquiring party's right to receive such an interest. During such thirty (30) day notice period, the non-acquiring party shall have the right to inspect all leases, documents, title information, and contracts reflecting the interest to be acquired.

15. SEISMIC DATA

a. Licensed Data

When licensing data for use in evaluation of the Prospects, ZEI shall endeavor to secure a joint license which would allow FX and ZEI to use the licensed data independently. However, if a joint license can be obtained only by the payment of an additional premium, ZEI shall license such data with only itself as the licensee.

12

b. Marketing of Proprietary Data

ZEI will acquire proprietary seismic data in its prospect development program. Absent the agreement of both parties, such data shall not be marketed to third parties. FX shall own an interest in such seismic data equal to the FX Prospect Interest and ZEI the own the remaining interest in such data.

Notwithstanding the ownership in the seismic data described above, if FX funds the entire seismic acquisition program contemplated hereunder, then until such time, if any, as proceeds from the sale or license of proprietary seismic data equal Seismic Funds advanced by FX, FX shall receive all proceeds from any license or sale of proprietary seismic data. After such proceeds equal the Seismic Funds advanced by FX, any further proceeds shall be shared equally by ZEI and FX.

16. GENERAL PROVISIONS

a. Additional Documents

The parties agree to execute such further documents as may be necessary or appropriate to more fully reflect the agreements and understandings reflected herein.

b. Amendment.

This Agreement may be amended only by an instrument signed by the party against whom such amendment is sought to be enforced.

c. Arbitration.

Subject to any restriction imposed by law on agreements for compulsory arbitration, the parties agree that any controversy or dispute arising out of, in connection with, or related to this Agreement, any provision or breach thereof, or any transaction contemplated hereby shall be submitted to and settled by binding and conclusive arbitration before a panel of three (3) arbitrators in Houston, Texas in accordance with the applicable rules of the American Arbitration Association (or any other form of arbitration agreed to by the parties) then in effect; provided, however, that only actual damages and attorney fees of the prevailing party reasonably incurred in connection with the arbitration proceeding shall be awarded in connection therewith. Judgment on any award rendered pursuant to any such arbitration proceeding may be entered in any court, Federal or state, having jurisdiction thereof, and

13

the parties shall be deemed to have waived their right to any form of appeal of such award to the extent permitted by law.

d. Assignment

This agreement may be assigned in whole or part by FX with the approval of ZEI, which approval shall not be unreasonably denied.

e. Successors and Assigns.

Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

f. Consequential Damages.

Neither party hereto shall be liable to the other for special, indirect, consequential or incidental damages resulting from or arising out of this Agreement or the obligations contemplated hereunder, including, but not limited to, loss of production, loss of anticipated profits or business interruptions, however same may be caused.

g. Contractual Liabilities

Should ZEI incur a contractual liability to a third party in performing its undertakings hereunder, such contractual liability shall be treated as a Prospect Expense. Should ZEI incur a tort liability to a third party in performing its undertakings hereunder, and such liability be a result of gross negligence or willful malfeasance, such liability, and all attorneys fees and expenses relating thereto, shall be solely for ZEI's account. Should ZEI incur a tort liability to a third party in performing its undertakings hereunder, and such liability not be a result of gross negligence or willful malfeasance, such liability, and all attorneys fees and expenses relating thereto, shall be borne equally by FX (or its assigns) and ZEI.

h. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

14

i. WAIVER OF CONSUMER RIGHTS

(Texas Deceptive Trade Practices Act)

It is the belief of the parties that this agreement is exempt from the provisions of the Texas Deceptive Trade Practices-Consumer Protection Act (the "Act"). Should, however, the Act be construed to not exempt this transaction, the following waiver shall apply. For the purpose of the following waiver, ZEI is deemed the Seller and FX the Purchaser:

PURCHASER REPRESENTS AND STIPULATES TO SELLER THAT:

- (I) THE PURCHASER IS NOT IN A SIGNIFICANTLY DISPARATE BARGAINING POSITION;
- (II) THE PURCHASER IS REPRESENTED BY LEGAL COUNSEL IN SEEKING OR ACQUIRING THE GOODS OR SERVICES WHICH IT ACQUIRES UNDER THIS AGREEMENT; AND
- (III) CONSUMER'S LEGAL COUNSEL WAS NOT DIRECTLY OR INDIRECTLY IDENTIFIED, SUGGESTED, OR SELECTED BY SELLER OF AN AGENT OF THE SELLER.
- (IV) I (THE PURCHASER) WAIVE MY RIGHTS UNDER THE DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT, SECTION 17.41 ET SEQ., BUSINESS & COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF MY OWN SELECTION, I VOLUNTARILY CONSENT TO THIS WAIVER."

j. Due Authorization.

Each party hereto represents that the execution, delivery and performance of this Agreement by such party has been duly authorized by all necessary corporate action.

k. Entire Agreement.

This Agreement, including the schedules and exhibits hereto constitutes the entire Agreement, and supersedes all other prior

agreements, understandings, representations and warranties both written and oral, among the parties, with respect to the subject matter hereto.

l. Force Majeure

In the event that any party is rendered unable, in whole or in part, by force majeure to carry out its obligations under this Agreement (other than the obligation to make payments of money due), upon such party giving notice and reasonably full particulars of such force majeure in writing to the other party within a reasonable time after the occurrence of the cause relied upon, the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period; and the cause of the force majeure as far as possible shall be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean an act of God, strike, lockout or other industrial disturbance, war, blockade, riot, lightning, fire, storm, flood, explosion, governmental restraint and any other cause whether of the kind herein enumerated, or otherwise, not reasonably within the control of the party claiming suspension. The settlement of strikes, lockouts and other labor difficulties shall be entirely within the discretion of the party having the difficulty. The above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of labor difficulties by acceding to the demands of opponents therein when such course is inadvisable in the discretion of the party having the difficulty.

m. Governing Law

Except as otherwise required by mandatory provisions of applicable law, this Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflicts of law.

n. Headings.

Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

o. Relationship of the parties

The parties to this Agreement are independent contractors. There is no relationship of agency, partnership, joint venture, employment, or franchise between the parties in any way. Neither party

nor its employees has the authority to bind or commit the other party in any way or to incur any obligation on its behalf.

p. Notices

Any notice or report herein required or permitted to be given shall be addressed to the parties as follows:

If to FX:

FX Energy, Inc.
237 Park Avenue, Suite 2100
New York, NY 10017

Tel: 212 551 3550
Fax: 212 490 0131

If to ZEI:

Zydeco Exploration, Inc.
Suite 1160
333 North Sam Houston Parkway East
Houston, Texas 77060-2403

Tel: 713 820 2481
Fax: 713 820 6054

Any notice required to be given hereunder shall be sufficient if in writing, and sent by nationally recognized overnight courier service, hand delivery, telecopy or registered mail (return receipt requested and first-class postage prepaid), addressed to the address first set forth above for each party (or to such other address as any party shall specify by written notice so given), and shall be deemed

to have been delivered as of the date sent.

q. Performance Standards

In performing their duties or exercising their rights hereunder, one party shall be liable to the other only for gross negligence or willful malfeasance. It is not the intent that either party have a fiduciary obligation to the other, any such obligation being expressly waived and disclaimed.

17

r. Severability

If any part of this Agreement is found invalid or unenforceable, that part will be amended to achieve as nearly as possible the same economic effect as the original provision and the remainder of this Agreement will remain in full force.

s. Statute of limitations.

No action arising under this Agreement may be brought at any time more than thirty six (36) months after discovery or acquisition of knowledge of the facts upon which the cause of action is based occurred.

t. Tax Matters

As to all operations hereunder, the parties hereto shall be subject to and shall comply and abide with the tax election provisions set out in Exhibit "E" attached hereto and made a part hereof for all purposes.

u. Third Party Beneficiary.

This Agreement is not intended to benefit or to create any obligations to, or rights in respect of, any persons other than the parties hereto, and their respective legal representatives, heirs or estates.

v. Time

Time is of the essence in all matters pertaining to this Agreement.

w. Titles

The parties acknowledge that the determination of adequate or marketable title to Louisiana lands and leases is, to a great extent, subjective. As to any option, permit, or land or lease acquired hereunder, ZEI shall make all title materials in its possession available to FX upon request. ZEI makes no warranty or representation that the title of any party granting any option, permit, land or lease hereunder is adequate, good, or marketable. Further, ZEI shall have no liability to FX of any nature upon the total or partial failure of title to any option, permit, land or lease acquired hereunder.

18

IN WITNESS WHEREOF, this Exploration Agreement is executed as of the date first above written.

ZYDECO EXPLORATION, INC.

By: /s/ Sam Myers

Sam Myers, President

FX ENERGY, INC.

By: /s/ William D. Forster

Its: President

19

EXHIBIT "B"

INITIAL PROSPECT LANDS

EXHIBIT "D"

PARTIAL ASSIGNMENT OF OIL AND GAS LEASE

STATE OF LOUISIANA (S)

PARISH OF _____ (S)

This Assignment, from _____, a _____ corporation whose address is _____ (hereinafter called "Assignor") to _____, a _____ corporation whose address is _____ (hereinafter called "Assignee");

Assignor, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby SELL, TRANSFER, ASSIGN, SET OVER AND CONVEY unto Assignee, subject to the terms and provisions set forth herein, an undivided _____ interest in and to the Oil and Gas Lease (the "Lease") described below:

[Lease Description]

ASSIGNOR hereby reserves unto itself, its successors and assigns, and saves and excepts from this assignment an undivided 2% of 8/8ths overriding royalty interest in all oil, gas or other hydrocarbons or minerals produced, saved, and sold from the lands subject to the Lease. Such reserved overriding royalty (the "Overriding Royalty") is subject to the following terms and conditions:

- (a) The Overriding Royalty shall be free and clear of all cost and expense of production.
 - (b) The Overriding Royalty shall be paid at the same time as provided for payment of royalties under the Lease.
 - (c) The Overriding Royalty may be pooled and unitized with other lands and leases without the consent or joinder of the owner or owners of said overriding royalty.
 - (d) The Overriding Royalty is based on the assumption that the Lease covers the full and entire mineral interest in the lands described therein. In the event that it shall be found that the Lease covers less than the entirety of the minerals in said lands, the Overriding Royalty shall be reduced proportionately.
- 1
- (e) To the extent that Assignor is assigning less than 100% of the working interest in the Lease, the Overriding Royalty shall be reduced proportionately.
 - (f) The Overriding Royalty shall not apply to nor be payable upon oil, gas or other hydrocarbons used for recycling, repressuring or similar operations benefiting the Lease or any portion thereof or other lands and leases pooled therewith or unavoidably lost. If the Lease provides that shut-in gas payments shall be made as royalty rather than as rental, Assignor shall not be entitled to any such royalty interest.
 - (g) "Project Payout" as used herein, is the first day of the next calendar month at the point when the net value of the total production from or attributable to the Lease (i.e., the gross income from such production, less operating expenses, lease royalties, production and/or other applicable taxes unless reimbursed to Assignee by the purchaser of such production, and less the hereinabove reserved overriding royalty to be paid by Assignee to Assignor) equals the total costs of drilling, testing and completing all Lease wells for production, including but not limited to costs associated with each well's separator, line heater, dehydrator, measuring equipment, flowlines, and facilities located on the Lands and utilized with such Lease production, and other equipment individually associated with Lease wells and not part of a processing plant or an existing central tank battery. Gross income shall include any prepayment from a purchaser. Total costs shall not include any costs associated with any facility which services, or is designed to service, in whole or part, off lease production.

Upon Project Payout, Assignor shall have the option (the "Option") to convert all of the Overriding Royalty into an undivided twenty percent (20%) working interest in the Lease proportionately reduced to reflect that Assignor is converting less than a 2% of 8/8ths overriding royalty, together with a like interest in all personal property and equipment on the Lease lands (including

platforms and pipelines to the extent then owned by Assignee) used or obtained in connection with wells located thereon. At such time as Project Payout occurs, Assignee shall so notify Assignor. Notification shall be by certified mail, return receipt requested, as well as by telecopy. Assignor shall have thirty (30) days in which to exercise the Option. If Assignor exercises the Option, Assignee shall assign to Assignor the described working interest. Such assignment shall be effective as of the first day of the month next following the time in which Project Payout has occurred. The assignment shall be with warranty of title by, through and under the assignor, but not otherwise.

2

This Assignment is made by Assignor and accepted by Assignee subject to the following:

- a. the terms, provisions and conditions of the Lease and any limitation on or contained in the Lease;
- b. the terms, conditions and burdens imposed by or contained in instruments appearing in Assignor's chain of title, or appearing in instruments referenced in instruments appearing in Assignor's chain of title, or amendments thereto; and
- c. the term, obligations, and burdens contained in that certain Agreement between Assignor and Assignee dated _____ (the "Agreement"). Should the terms of this Assignment conflict with the terms of the Agreement, the terms of the Agreement shall control.

TO HAVE AND TO HOLD the Lease unto Assignee, its successors and assigns forever. This Assignment is given without warranty, express or implied, except for a limited warranty by Assignor that Assignor has not previously conveyed or encumbered or agreed to convey or encumber the Lease in favor of any other party.

With respect to the Overriding Royalty reserved by Assignor, Assignee shall, upon request, furnish Assignor with monthly reports showing the number of producing wells and producing days, lease stocks and runs.

The terms and conditions of this Assignment shall extend to and be binding upon the successors and assigns of the parties.

The covenants, obligations and agreements contained herein shall be construed as covenants running with the land.

This assignment is made effective _____.

3

IN WITNESS WHEREOF, the parties have executed this instrument on the dates acknowledged below.

WITNESSES

ASSIGNOR:

Name: _____
Witness

By:
Its:

Name: _____
Witness

WITNESSES

ASSIGNEE:

Name: _____
Witness

By:
Its:

Name: _____
Witness

4

State of (S)
(S)
County of (S)

On this ___ day of _____, 199_, before me appeared _____, to

me personally known, who, being by me duly sworn, did say that he is the _____ president, of FX Energy, Inc., a Delaware corporation, and that said instrument was signed and sealed on behalf of said corporation, and said appearer acknowledged that he executed the same as the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my official hand and seal on the date hereinabove written.

[SEAL]

Notary Public in and for
the State of

My Commission Expires: _____

State of Texas (S)
(S)
County of Harris (S)

On this ____ day of _____, 199_, before me appeared Stephen W. Knecht, to me personally known, who, being by me duly sworn, did say that he is the Vice President, of ZYDECO EXPLORATION, INC., a Texas corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said appearer acknowledged that he executed the same as the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my official hand and seal on the date hereinabove written.

[SEAL]

Notary Public in and for
the State of Texas

My Commission Expires: _____

5

EXHIBIT "D"

TAX PARTNERSHIP PROVISIONS

1. RELATIONSHIP OF THE PARTIES.

This agreement shall not create any mining partnership, commercial partnership or other partnership relations or joint venture, and the liabilities of each of the Parties hereto shall be several and not joint. However, solely for the United States federal income tax purposes, this Agreement shall be considered as a partnership, but such relationship shall not be a partnership to any other extent or for any other purposes.

2. ELECTION TO REMAIN WITHIN SUBCHAPTER K.

Notwithstanding anything to the contrary herein or in the Operating Agreement (the "Operating Agreement") to which this is also to be considered an Exhibit, the Parties hereto agree with respect to all operations conducted hereunder:

Each Party, now having or hereinafter acquiring an interest under this Agreement, agrees not to elect to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended (the "Code"), and each party agrees to join in the execution of such additional documents and elections as may be required by the Internal Revenue Service in order to effectuate the foregoing. In addition, if the income tax laws of any state in which the Parties conduct operations pursuant to the terms of this Exhibit or the Operating Agreement, contain provisions similar to those contained in Subchapter R of Chapter 1 of Subtitle A of the Code, the Parties hereby agree not to elect to be excluded from the application of such provisions.

3. INCOME TAX COMPLIANCE AND CAPITAL ACCOUNTS.

The Operator shall prepare and file all federal and state partnership income tax returns. In preparing such returns Operator shall use its best efforts and in doing so shall incur no liability to any other Party with regard to such returns. Not less than two weeks prior to the due date (including extensions) Operator shall submit to each Party a copy of the return as proposed for review.

The Operator shall establish and maintain fair market ("FMV") capital accounts and tax basis capital accounts for each Party. Operator shall submit to each Party, along with a copy of any proposed partnership income tax return, an accounting of its respective capital accounts as of the end

of the tax return period.

1

Each Party agrees to furnish to Operator not later than 30 days before the return due date (including extensions) such information relating to the operations conducted under this Agreement as may be required for the proper preparation of such returns and capital accounts.

4. TAX MATTERS PARTNER.

4.1 Operator is Tax Matters Partner. Operator is designated tax matters partner ("TMP") as defined in Internal Revenue Code (Code) Section 6231 (a) (7). In the event of any change in Operator, the Party serving as TMP for a given taxable year shall continue as TMP with respect to all matters concerning such year. The TMP and other Parties shall use their best efforts to comply with the responsibilities outlined in this Section and in Code Sections 6222 through 6233 and 6050(K) (including any Treasury Regulations promulgated thereunder) and in doing so shall incur no liability to any other Party. Notwithstanding TMP's obligation to use its best efforts in the fulfillment of its responsibilities, TMP shall not be required to incur any expenses for the preparation for, or pursuance of administrative, or judicial proceedings, unless the Parties agree on a method for sharing such expenses.

4.2 Information Request by TMP. The Parties shall furnish TMP within two weeks from the receipt of the request with such information including information[specified in Code Sections 6230(e) and 6050(K)] as TMP may reasonably request to permit it to provide the Internal Revenue Service with sufficient information for purposes of Code Sections 6230(e) and 6050(K).

4.3 TMP Agreements with IRS. The TMP shall not agree to any extension of the statute of limitations for making assessments on behalf of any other Party without first obtaining the written consent of that Party. The TMP shall not bind any other Party to a settlement agreement in tax audits without obtaining the concurrence of any such Party.

Any such Party who enters into a settlement agreement with the Secretary of the Treasury with respect to any partnership items, as defined by Code Section 6231(a)(3), shall notify the other Parties of such settlement agreement and its terms within 90 days from the date of settlement.

4.4 Inconsistent Treatment of Partnership Item. If any party intends to file a notice of inconsistent treatment under code Section 6222(b), such Party shall, prior to filing such notice, notify the TMP of such intent and the manner in which the Party's intended treatment of a partnership item is (or may be) inconsistent with the treatment of that item by the partnership. Within one week of receipt, the TMP shall remit copies of such notification to other Parties to the Partnership. If an inconsistency notice is filed solely because of the

2

Party not having received a Schedule K-1 in time for filing of its income tax return, the TMP need not be notified.

4.5 Request for Administrative Adjustment. No Party shall file a request pursuant to Code section 6227 for an administrative adjustment of partnership items for any Partnership taxable year without first notifying all other Parties. If all other Parties agree with the requested adjustment, the TMP shall file the request for administrative adjustment on behalf of the Partnership. If unanimous consent is not obtained within 30 days from such notice, or within the period required to timely file the request for administrative adjustment, if shorter, any Party, including the TMP, may file a request for administrative adjustment on its own behalf.

4.6 Judicial Proceedings. Any Party intending to file a petition under Code Sections 6226, 6228, or any other Code Section with respect to any partnership item, or other tax matters involving the Partnership, shall notify the other Parties of such intention and the nature of the contemplated proceedings. In the case where the TMP is the Party intending to file such petition, such notice shall be given within a reasonable time to allow the other Parties to participate in the choosing of the forum, then the appropriate forum shall be decided by majority vote. Each Party shall have a vote in accordance with its percentage interest in the Partnership for the year under audit. If a majority cannot agree, the TMP shall choose the forum. If a Party intends to seek review of any court decision rendered as a result of such a proceeding, such Party shall notify the other Parties.

4.7 Windfall Profit Tax. The parties agree to take appropriate action under Code Section 6232(c) and any Treasury Regulations thereunder to

assure that items required to compute the Windfall Profit Tax as imposed by Chapter 45 of the Code not be treated as partnership items.

5. ELECTIONS.

5.1 General Elections. For both income tax return and capital account purposes, the Partnership shall elect (a) to deduct currently intangible drilling and development costs ("IDC"), (b) to use maximum allowable accelerated tax method and the shortest permissible tax life for depreciation purposes, (c) to use the accrual method of accounting, (d) to report income on a calendar year basis or other "required" year-end in accordance with the regulations under Code Section 706(b), and (e) dispositions of depreciable assets be accounted for under the General Asset account method to the extent permitted by Code Section 168(i)(4).

3

5.2 Depletion. Solely for FMV capital account purposes, depletion shall be calculated by using simulated percentage depletion within the meaning of the Treasury Regulation Section 1.704-1(b)(2)(iv)(2).

5.3 Other Elections. Any other elections must be approved by the affirmative vote of two (2) or more Parties owning a majority interest based on the post payout ownership as shown in Exhibit "A".

6. CAPITAL CONTRIBUTIONS AND FMV CAPITAL ACCOUNTS.

6.1 Capital Contributions. The respective capital contributions of each party to the Partnership shall be (a) each Party's interest in the oil and gas leases committed to the Partnership, and all properties associated with the leases, and (b) all amounts paid by each Party in connection with acquisition, exploration, development and operation of the leases and all other costs characterized as contributions or expenses borne by such Party under this Partnership. The contribution of the leases and other properties committed to this Partnership shall be made by each Party's agreement to hold legal title to its interest in such leases or any other properties as nominee for this Partnership.

6.2 FMV Capital Accounts. The FMV capital accounts shall be increased and decreased as follows:

- (a) The FMV capital accounts shall be increased by: (i) the amount of money and the fair market value of any property contributed by each Party, respectively, to the Partnership (net of liabilities assumed by the partnership or to which the contributed property is subject); (ii) that Party is Sec. 7.1 allocated share of Partnership income and gains, or items thereof; (iii) any basis increases required by Code Sections 48(q) and 1016(a)(22); and (iv) that Party's share of Code Section 705(a)(1)(8) and (C) items.
- (b) The FMV capital accounts shall be decreased by: (i) the amount of money and the fair market value of property distributed to each Party (net of liabilities assumed by such Party which the property is subject); (ii) that Party is Sec. 7.1 allocated share of Partnership loss and deductions, or items thereof; (iii) any basis decreases required by Code Sections 48(q) and 1016(a)(22); and (iv) that Party is share of Code Section 705 (a)(2)(B) items and Code Section 709 non-deductible and non-amortizable items.

"Fair Market Value" when it applies to property contributed by a Party to the Partnership, shall be assumed to equal the adjusted basis, as defined in Code

4

Section 1011, of that property unless the Parties agree otherwise in a separate written agreement.

7. PARTNERSHIP ALLOCATIONS.

7.1 FMV Capital Account Allocations. Each item of income, gain, loss or deduction shall be allocated to each Party as follows:

- (a) Actual or deemed income from the sale, exchange, distribution or other disposition of production shall be allocated to the Party entitled to such production or the proceeds from the sale of such production. In the event that deemed income arising from the inkind distribution of production equals that fair market value of the production distributed to a Party, the Parties recognize that the corresponding adjustments would be a net zero adjustment and accordingly, may be omitted from the FMV capital accounts;
- (b) Exploration cost, IDC, operating and maintenance costs shall be allocated to each Party in accordance with its respective

contribution to such cost;

- (c) Depreciation shall be allocated to each Party in accordance with its contribution to the FMV capital account adjusted basis of the underlying asset;
- (d) Simulated depletion shall be allocated to each Party in accordance with its FMV capital account adjusted basis in each oil and gas property;
- (e) Loss (or simulated logs) upon the sale, exchange, distribution, abandonment or other disposition of depreciable or depletable property, shall be allocated to the Parties in the ratio of their respective FMV capital account adjusted basis in the depreciable or depletable property;
- (f) Gain (or simulated gain) upon the sale, exchange, distribution or other disposition of depreciable or depletable property, shall be allocated to the Parties so that the FMV capital account balances of the Parties, with respect to such property, will most closely reflect their respective percentages or fractional interest under the Agreement;
- (g) Costs or expenses of any kind shall be allocated to and accounted for by each Party in accordance with its respective contribution to such costs or expenses; and,

5

- (h) Any other income item shall be allocated to the Parties in accordance with the allocation of realization.

7.2 Tax Returns and Tax Basis Capital Account Allocations

- (a) Unless otherwise expressly provided herein the allocations of Partnership items of income, gain, loss or deduction for tax return and tax basis capital account purposes shall be the same as those contained in Section 7.1
- (b) If all the Parties consent, any money or an undivided interest in each and every property shall be distributed to one or more Parties as necessary for the purpose of balancing the FMV capital accounts:
- (c) Unless (b) above applies, an undivided interest in each and every property shall be distributed to one or more Parties in accordance with the ratios of their FMV capital accounts:
- (d) If a property is to be valued under (a) above or distributed pursuant to (b) or (c) above, the fair market value of the property shall be agreed to by the parties. In the event all of the parties do not reach agreement as to the fair market value of property, the Operator shall cause a nationally recognized independent engineering firm to prepare an evaluation of fair market value of such property.

8.4 Final Distribution. Third, after the FMV capital accounts of the Parties have been adjusted, pursuant to Sec. 8.3 above, all other or remaining property and interest then held by the Partnership shall be distributed to the Parties in accordance with their FMV capital account balances.

9. TRANSFERS, SURVIVORSHIP AND CORRESPONDENCE.

9.1 Transfers. These Partnership provisions shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns. The Parties agree that if any one of them makes a sale or assignment of its interest under this Agreement such sale or assignment will be structured, if possible, so as not to cause a termination under Code Section 708(b)(1)(B).

9.2 Survivorship. Any Termination of the Agreement shall not affect the continuing application of the Tax Partnership provisions as necessary for the termination and liquidation of the Tax Partnership.

6

9.3 Correspondence. All correspondence relating to the preparation and filing of the Partnership's income tax return and capital accounts shall be forwarded to the Tax Manager of the TMP at the address provided in the Operating Agreement-1.

7

EXHIBIT 10.2
[LOGO OF ZYDECO
APPEARS HERE]
EXPLORATION, INC.

333 N. Sam Houston Pkwy. E.
Suite 1160
Houston, Texas 77060
(713) 820-2481
Fax (713) 820-6054

May 15, 1996

Cheniere Energy Operating Co., Inc.
237 Park Avenue, Suite 2100
New York, NY 10017

Re: First Amendment

Gentlemen:

I am writing with respect to that certain Exploration Agreement dated April 4, 1996 by and between FX Energy, Inc. and Zydeco Exploration, Inc. (the "Agreement"). For convenience, terms defined therein shall have the same meaning when used herein.

The Agreement in Section 2 provides that FX shall deposit \$3,000,000 to the segregated account on May 15, 1996. You have represented to us that you had instructed your bank today to wire \$2,250,000 to the segregated account. You have requested an extension until the end of the business day on Friday, June 14, 1996 to wire the balance of \$750,000. Based on your representations, ZEI agrees to your requested extension.

We both agree that a failure by FX to make the \$750,000 contribution by June 14, 1996 shall be treated as a Discontinuance under Section 5. The Seismic Funds paid, in this instance, would be \$2,250,000.

1

If I have correctly set forth our understandings, kindly so indicate by executing one counterpart of this letter and returning it to the undersigned.

Yours very truly,
ZYDECO EXPLORATION, INC.

By: /s/ Sam B. Myers

Its: President and Chief Executive Officer

ACCEPTED AND AGREED TO THIS
15th DAY OF MAY, 1996.

Cheniere Energy Operating Co., Inc., formerly FX Energy, Inc.

By: /s/ William D. Foster

Its: President

2

[LOGO OF ZYDECO
APPEARS HERE]
EXPLORATION, INC.

333 N. Sam Houston Pkwy. E.
Suite 1160
Houston, Texas 77060
(713) 820-2481
Fax (713) 820-6054

August 5, 1996

Cheniere Energy Operating Co., Inc.
237 Park Avenue, Suite 2100
New York, NY 10017

Re: Second Amendment

Gentlemen:

I am writing with respect to that certain Exploration Agreement dated April 4, 1996, by and between FX Energy, Inc. and Zydeco Exploration, Inc., as amended by that certain First Amendment dated May 15, 1996 (the "Agreement"). For convenience, terms defined therein shall have the same meaning when used herein. FX Energy, Inc. has changed its name to Cheniere Energy Operating Co., Inc. ("FX"). We desire to amend the Agreement as follows:

1. FX did not make the payment of \$1,000,000 to the segregated account which was due on June 30, 1996 under Section 2 of the Agreement. FX shall make the \$1,000,000 payment originally due June 30, 1996 to the segregated account on or before August 9, 1996. A failure to make such a payment by such date shall, notwithstanding anything in the Agreement to the contrary, be treated as a Discontinuance under Section 5.
2. FX did not make the payment of \$1,000,000 to the segregated account which was due on July 30, 1996. FX shall make the \$1,000,000 payment originally due July 30, 1996 to the segregated account on or before October 31, 1996. A failure to make such a payment by such date shall, notwithstanding anything in the Agreement to the contrary, be treated as a Discontinuance under Section 5.

Cheniere Energy Operating Co., Inc.
August 5, 1996
Page 2

3. It is the intent of the parties that no grace period apply to the payments required under this letter to be paid on August 9, 1996 and October 31, 1996.
4. The parties agree that the agreements by Zydeco to defer payments under Section 2 do not obligate Zydeco to grant further waivers nor waive the rights of Zydeco to have payments made at the times provided in the Agreement, as modified hereby.

If I have correctly set forth our agreements, kindly so indicate by executing one counterpart of this letter and returning it to the undersigned.

Yours very truly,

ZYDECO EXPLORATION, INC.

By: /s/ Sam B. Myers, Jr.

Its: Sam B. Myers, Jr., President

ACCEPTED AND AGREED TO THIS
8th DAY OF AUGUST, 1996.

Cheniere Energy Operating Co., Inc., formerly FX Energy, Inc.

By: /s/ William D. Foster

Its: President

CHENIERE ENERGY OPERATING CO., INC.
Two Allen Center
1200 Smith Street, 17th Floor
Houston, Texas 77002

As of June 14, 1996

To Each of the Purchasers Named on
Schedule A Hereto:

Ladies and Gentlemen:

Cheniere Energy Operating Co., Inc., a Delaware corporation (the
"Company"), hereby agrees with you as follows:

SECTION 1. PURCHASE AND SALE OF SECURITIES

1.1 Description of Securities. The undersigned Purchasers hereby severally agree to purchase from the Company, and the Company agrees to sell to the Purchasers for a purchase price set forth on Schedule A hereto, totalling an aggregate purchase price of Four Hundred Twenty-Five Thousand Dollars (\$425,000), such amount of the following securities (collectively, the "Securities") as set forth on Schedule A:

(a) \$425,000 aggregate principal amount of promissory notes of the Company (individually, a "Note" and collectively, the "Notes"); and

(b) common stock purchase warrants (individually, a "Warrant" and collectively, the "Warrants") exercisable for an aggregate of 14.166667 shares of common stock, no par value, of the Company (the "Common Stock") and exchangeable for common stock purchase warrants exercisable for an aggregate of 141,666.67 shares of common stock, \$.003 par value per share, of BEXY Communications, Inc. ("BEXY"), assuming consummation of the transactions contemplated by that certain Agreement and Plan of Reorganization dated as of April 16, 1996 by and among the Company and the stockholders of the Company, on the one hand, and BEXY and Buddy Young, on the other hand.

1.2 Terms of the Notes. The Company shall pay the principal amount of each Note plus interest on the unpaid principal balance in accordance with the terms and conditions of the Note, a form of which is attached as Exhibit A hereto.

1.3 Terms of the Warrants. Each Warrant shall be governed by a Warrant Agreement, a form of which is attached as Exhibit B hereto (the "Warrant Agreement").

SECTION 2. REPRESENTATIONS

2.1 Purchaser's Representations. Each Purchaser represents to the Company that you are authorized to enter into this Agreement and the Warrant Agreement, to perform your obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. You further represent that you are purchasing the Securities to be purchased by you for your own account and with no intention of distributing or reselling such Securities or any part thereof, or any interest therein, in any transaction that would be in violation of the securities laws of the United States of America, or the securities laws of any applicable state thereof, without prejudice, however, to your right at all times to sell or otherwise dispose of all or any part of such Securities pursuant to an effective registration statement under the Securities Act of 1933 (the "Securities Act") and applicable state securities laws, or under an exemption from such registration available under the Securities Act and applicable state securities laws, and subject, nevertheless, to the disposition of your property being at all times within your control.

You further represent that either (i) you are an "accredited investor" within the meaning of Rule 501 under the Securities Act or (ii) by reason of your business and financial experience and the business and financial experience of those retained by you to advise you with respect to your investment in the Securities, you, together with such advisors, have such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment, and are able to bear the economic risk of such investment and, at the present time are able to afford a complete loss of such investment.

2.2 Company's Representations. The Company represents and warrants to you as follows:

(a) The Company is a corporation, duly organized and existing and in

good standing under the laws of the State of Delaware and has full power and authority to enter into and to perform its obligations under this Agreement, the Warrant Agreements, the Warrants and the Notes and to issue the Securities (and any shares of Common Stock issuable upon exercise of the Warrants).

(b) The Company has taken all actions necessary to authorize it to enter into and perform its obligations under this Agreement, the Warrant Agreement, the Warrant and the Note and to consummate the transactions contemplated hereby and thereby. This Agreement, the Warrant Agreement, the Warrant and the Note are legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject, as to enforcement only, to bankruptcy, insolvency, reorganization, moratorium or similar laws at the time in effect affecting the enforceability of the rights of creditors generally.

(c) The authorized capital stock of the Company is 2,000 shares of Common Stock of which 825 shares of Common Stock is issued and outstanding. The Company has reserved twenty one (21) shares of Common Stock for issuance upon exercise of the Warrants. The shares of Common Stock issuable upon exercise of the Warrants have been duly authorized for issuance by the Company and, when issued and delivered against payment therefor as

2

contemplated by the Warrant Agreement to be executed by each Purchaser, will be validly issued, fully paid and non-assessable, free and clear of all liens, claims and other encumbrances.

(d) The offer and sale of the Securities hereunder is exempt from the registration requirements of the Securities Act either pursuant to Section 4(2) thereof or Regulation D promulgated thereunder.

SECTION 3. EVENTS OF DEFAULT

3.1 The term "Event of Default" shall mean any of the following events:

(a) The Company shall default in the payment when due of any principal of or interest on any Note; or

(b) The Company shall (x) become insolvent or generally fail to pay, or admit in writing its inability to pay, its debts as they become due, (y) apply for, consent to or acquiesce in, the appointment of a trustee, receiver, sequestrator or other custodian for the Company or for a substantial part of the property of the Company and such trustee, receiver, sequestrator or other custodian shall not be discharged within 60 days or (z) permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Company, and if such case or proceeding is not commenced by the Company or shall result in the entry of an order for relief or shall remain for 60 days undismissed.

3.2 If any Event of Default described in clause (a) shall occur and be continuing, the holders of the Notes may, upon notice or demand, declare all or any portion of the outstanding principal amount of the Notes to be due and payable and if any Event of Default described in clause (b) shall occur, the outstanding principal amount of all outstanding Notes shall automatically be and become immediately due and payable, without notice or demand.

SECTION 4. PENALTIES FOR NON-PAYMENT

If the Company shall not have paid all principal and accrued and unpaid interest on the Notes on the date on which such is due, the holders of Notes shall be entitled to receive, in addition to all amounts otherwise payable with respect to the Notes, a late charge equal to five percent (5%) per annum of the total amount due and shall be entitled to receive additional Warrants to purchase three (3) additional shares of Common Stock for each month or partial month in which payment in full is not made up to a total additional amount of twelve (12) shares of Common Stock, having the same exercise period measured from the date of issuance of each Warrant and the same exercise price as set forth in the Warrant Agreement. The additional Warrants shall be allocated pro rata to the holders of Notes in accordance with the percentage (rounded to the nearest ten thousandth) that the principal amount of the Note(s) held by each holder bears to the total principal amount of all outstanding Notes.

3

SECTION 5. MISCELLANEOUS

5.1 All notices and other communications provided for or permitted hereunder shall be made by hand delivery, first class mail postage prepaid or telecopier:

(a) if to a Purchaser at the address set forth on Schedule A hereto;

(b) if to the Company at its address set forth on the first page of this Agreement with a copy to Whitman Breed Abbott & Morgan, 200 Park

Avenue, New York, New York, Attention: Robert C. Brighton, Jr., Esq.

All such notices and communications shall be deemed to have been duly given: when delivered, if personal delivered; two business days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied.

5.2 This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties.

5.3 This Agreement and the Warrant Agreements, Warrants and Notes may be amended, modified or supplemented with the consent of each of the parties to the respective agreements, instruments or other documents.

5.4 This Agreement may be signed in counterparts, each of which shall be deemed and original and all of which taken together shall be deemed one and the same agreement.

5.5 This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without giving effect to the conflict of law provisions thereof).

5.6 This Agreement, together with the Warrant Agreements, Warrants and Notes, are intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein.

5.7 If any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affect, it being intended by the parties that the rights and privileges of the parties hereunder shall be enforceable to the fullest extent permitted by law.

4

If this Agreement is satisfactory to you, please complete and sign Schedule A to indicate your acceptance, which Schedule A shall constitute a counterpart of this Agreement, and returning such counterpart to the Company whereupon this Agreement will become binding between us in accordance with its terms.

Very truly yours,

CHENIERE ENERGY OPERATING CO., INC.

By: _____
Name: William D. Forster
Title: President

5

SCHEDULE A

NAME AND ADDRESS OF PURCHASERS	PRINCIPAL AMOUNT OF NOTE	NO. OF WARRANTS	PURCHASE PRICE
--------------------------------	--------------------------	-----------------	----------------

Name:
Address:

Fax No.:
Tel. No.:

Signature

Name:

Date: June 14, 1996

PROMISSORY NOTE

\$ _____

FOR VALUE RECEIVED, the undersigned, CHENIERE ENERGY OPERATING CO., INC., a corporation, organized under the laws of Delaware (hereinafter called the "Maker"), promises to pay to the order of _____ (the "Lender"), or its successors or assigns, by payment to Lender, at _____ or at such other place as the holder hereof may from time to time designate in writing, the principal sum of _____ (\$ _____), plus interest on the principal balance thereof from time to time outstanding at a rate which is at all times eight percent (8%) per annum, on that date which is ninety (90) days from the date hereof, when the entire principal balance hereof, all accrued and unpaid interest thereon and all other applicable fees, costs and charges, if any, shall be due and payable in full. Interest hereon shall be calculated on the basis of the actual number of days elapsed in a 360-day year. All payments of principal and/or interest hereon shall be payable in lawful money of the United States and in immediately available funds.

In the event that any payment of principal and/or interest is not actually received by the holder hereof within ten (10) days of the date such payment is due, the Maker agrees to pay a late charge of an amount equal to five percent (5%) per annum of the outstanding principal amount, calculated on the basis of the actual number of days elapsed in a 360-day year, in addition to interest as set forth above.

All payments received hereon shall be applied first to late charges, if any, then to interest and then to principal.

This Note may be prepaid, in whole or in part, at any time without penalty. Any partial prepayments shall not, however, relieve the Maker of the obligation to pay principal and/or interest hereunder as and when the same would otherwise fall due.

Maker hereby (i) waives presentment, demand, protest and notice of presentment, notice of protest and notice of dishonor of this debt and each and every other notice of any kind respecting this Note, (ii) agrees that the holder hereof, at any time or times, with notice to it and its consent, may grant extensions of time, without limit as to the number or the aggregate period of such extensions, for the payment of any principal and/or interest due hereon, and (iii) to the extent not prohibited by law, waives the benefit of any law or rule of law intended for its advantage or protection as an obligor hereunder or providing for its release or discharge from

7

liability hereon, in whole or in part, on account of any facts or circumstances other than full and complete payment of all amounts due hereunder.

The Maker promises to pay all costs of collection, including reasonable attorneys' fees, upon default in the payment of the principal of this Note or interest hereon when due, whether at maturity, as herein provided, or by reason of acceleration of maturity under the terms hereof, whether suit be brought or not.

This Note is one of the Notes contemplated by that certain agreement dated as of June 14, 1996 (the "Agreement") between the Maker and the holder. This Note incorporates by reference the terms of the Agreement, including, but not limited to, the terms thereof relating to Events of Default.

In the event any one or more of the provisions contained in this Note or the Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note may not be changed orally, but only by an agreement in writing signed by the parties against whom enforcement of any waiver, change, modification or discharge is sought.

The Maker warrants and represents that the loan evidenced hereby is being made for business or investment purposes.

This Note shall be governed in all respects by the laws of the State

of New York and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns (without giving effect to the conflict of law provisions thereof).

Any judicial proceeding brought against Maker on any dispute arising out of this Note or any matter related hereto may be brought in the courts of the State of New York in New York City, or in the United States District Court of the Southern District of New York, and, by execution and delivery of this Note, Maker accepts for itself the exclusive jurisdiction of the aforesaid courts, waives any objections to such jurisdiction on the grounds of venue of forum non conveniens and any similar grounds, consents to service of process by mail or in any other manner permitted by law, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Note.

8

Maker waives all right to trial by jury in any action, suit or proceeding brought to enforce or defend any right or remedies under this Note, whether sounding in contract or tort or otherwise.

CHENIERE ENERGY
OPERATING CO., INC.

[Corporate Seal]

ATTEST: By: _____
Name: William D. Forster
Title: President

By: _____

9

EXHIBIT B

WARRANT AGREEMENT

WARRANT AGREEMENT (this "Agreement") is made as of June 14, 1996 by and between CHENIERE ENERGY OPERATING CO., INC., a Delaware corporation ("the Company"), and _____ (the "Holder").

PRELIMINARY RECITALS

A. The Company desires to issue to Holder a right to purchase shares of common stock, no par value per share (the "Common Stock"), of the Company in consideration of value received by the Company from Holder, as set forth in that certain agreement dated as of June 14, 1996 (the "Purchase Agreement") between the Company and the Holder with respect to the purchase by Holder of a promissory note and common stock purchase warrant of the Company.

B. Holder desires to participate in the future growth prospects of the Company and is willing to accept and receive a right to purchase shares of Common Stock of the Company, on the terms and subject to the conditions set forth below.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Holder agree as follows:

1. GRANT OF WARRANT. The Company hereby grants to Holder a warrant to purchase up to _____ shares of Common Stock at the purchase price of _____ per share (the "Warrant"), such Warrant to be exercisable as hereinafter provided, evidenced by a warrant certificate in the form attached as Exhibit A hereto (the "Warrant Certificate").

2. EXERCISE PERIOD. Subject to the other terms of this Agreement regarding the exercisability of the Warrant, the Warrant shall be exercisable during the period (the "Exercise Period") commencing on the date hereof and expiring on June 14, 1999.

3. EXERCISE OF WARRANT

(a) This Warrant may be exercised, from time to time, in whole or in part, at any time prior to the expiration thereof. Any exercise shall be accompanied by written notice to the Company specifying the number of shares as to which this Warrant is being exercised, in the form attached to the Warrant Certificate. Notations of any partial exercise or instalment exercise, shall be made by the Company and attached as a schedule hereto.

(b) The Company shall issue the Warrant Certificate or certificates

evidencing the Warrant Shares within fifteen (15) days after receipt of such notice and payment as hereinafter provided.

10

4. PAYMENT OF PURCHASE PRICE UPON EXERCISE. At the time of any exercise of the Warrant the purchase price for the Warrant Shares shall be paid in full to the Company by check or other immediately available funds.

5. PURCHASE FOR INVESTMENT; RESALE RESTRICTIONS. The Holder hereby represents, and each assignee of Holder as a condition to transfer shall represent, that he is acquiring or will acquire the Warrant and the Warrant Shares for his own account, for investment only with no present intention of distributing or reselling such securities or any part thereof. Unless at the time of the acquisition of the Warrant or the exercise of the Warrant, as the case may be, there shall be, in the opinion of counsel for the Company, a valid and effective registration statement under the Securities Act 1933 ("1933 Act") and appropriate qualification and registration under applicable state securities laws relating to the Warrant or the Warrant Shares, as the case may be, the Holder shall, prior to the assignment of the Warrant or upon exercise of the Warrant or any portion thereof, as the case may be, give a representation that he is acquiring such Warrant or Warrant Shares, as the case may be, for his own account, only for investment and not with the view to the resale or distribution of any of such securities. In the absence of such registration statement, the Holder shall execute a written affirmation, in form reasonably satisfactory to the Company, of such investment intent. The Holder further agrees that he will not sell or transfer the Warrant or any Warrant Shares, as the case may be, until he requests and receives an opinion from the Company's counsel, or other counsel reasonably satisfactory to the Company, to the effect that such proposed sale or transfer will not result in a violation of the 1933 Act or a registration statement covering the sale or transfer of the Warrant or Warrant Shares, as the case may be, has been declared effective by the Securities and Exchange Commission ("SEC"), or he obtains a no action letter from the SEC with respect to the proposed transfer. There shall be stamped on the certificate(s) representing the Warrant or Warrant Shares, as the case may be, an appropriate legend giving notice of the acquisition of such Warrant or Warrant Shares, as the case may be, for investment and the restriction on their transfer by reason thereof.

6. EXCHANGE FOR BEXY WARRANTS. Holder agrees to exchange this Warrant for a warrant to purchase shares of common stock, \$.003 par value per share ("BEXY Stock"), of BEXY Communications, Inc. ("BEXY") at the closing (the "Closing") of the reorganization of BEXY contemplated by that certain Agreement and Plan of Reorganization dated as of April 16, 1996 ("Reorganization Agreement") among the Company, the stockholders of the Company, BEXY and Buddy Young. At the Closing, Holder shall present and deliver the Warrant, together with a properly completed assignment, to BEXY and, upon execution and delivery of a warrant agreement between Holder and BEXY, receive a warrant to purchase BEXY Stock (the "BEXY Warrant"). The BEXY Warrant received by Holder shall be exercisable for ten thousand (10,000) shares of BEXY Stock for each share of Common Stock for which the Warrant may be exercised. The purchase price for each share of BEXY stock shall be \$3 per share and shall have the same Exercise Period as the Warrant and other terms that are substantially the same as the Warrant.

7. NO RIGHTS OF STOCKHOLDER. The Holder shall have no rights as a stockholder with respect to any Warrant Shares prior to the date of purchase thereof and issuance to him of a certificate or certificates for such shares.

11

8. COMPLIANCE WITH LAW AND REGULATIONS. This Agreement and the obligation of the Company to sell and deliver the Warrant and the Warrant Shares shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If, at any time, the Board of Directors of the Company shall determine that (a) the listing, registration or qualification of the Warrant Shares upon any securities exchange or under any state or federal law or (b) the consent or approval of any government regulatory body, is necessary or desirable as a condition to, or in connection with, the offer, sale and issuance of the Warrant Shares, the Warrant shall not be exercised by the Holder in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained, free of any conditions not acceptable to the Board of Directors of the Company.

9. TAX WITHHOLDING REQUIREMENTS. The Company shall have the right to require the Holder to remit to the Company an amount sufficient to satisfy any federal, state or local withholding or other tax requirements applicable to the sale of the Warrant or the issuance and sale of the Warrant Shares prior to the delivery of any Warrant Certificate or Certificates for the Warrant Shares.

10. FRACTIONAL SHARES. To the extent required, fractional shares of stock shall be issued upon the exercise of this Warrant up to but not more than the nearest one millionth of a share (.000001). The Company shall not be under any obligation to compensate the Holder in any way for fractional shares in less

than such amounts.

11. SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

12. COUNTERPARTS. This Agreement may be executed in two or more counterparts, any one of which need not contain the signatures of more than one party, but all of such counterparts taken together will constitute one and the same Agreement.

13. DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement and shall not be used in the interpretation hereof.

14. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon any and all successors and assigns of the parties.

15. AMENDMENTS. This Agreement may not be modified, amended, altered, or supplemented except upon the execution and delivery of a written agreement executed by Holder and the Company.

16. GOVERNING LAW. This Agreement shall be construed according to the laws of the State of Delaware without giving effect to the conflict of law provisions thereof, and all

12

provisions hereof shall be administered according to and its validity shall be determined under, the laws of such state, except where preempted by federal laws.

17. NOTICES. Any notices or other communications required or permitted hereunder shall be given in the manner set forth in the Purchase Agreement.

13

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

CHENIERE ENERGY OPERATING CO., INC.

By _____
Name: William D. Forster
Title: President

HOLDER

By: _____
Name:

14

Exhibit A (to
Cheniere Energy
Operating Co., Inc.
Warrant Agreement)

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAW OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH LAWS.

CHENIERE ENERGY OPERATING CO., INC.

WARRANT TO PURCHASE SHARES OF COMMON STOCK

The transferability of this Warrant is restricted as set forth in the related Warrant Agreement, a copy of which may be obtained from the Company at its principal office.

No.: _____ Up to ___ Share

THIS CERTIFIES THAT for value received _____ (the "Holder") or registered assigns is the owner of a Warrant to purchase during the period expiring no later than 5:00 p.m. New York time on June 14, 1999, the number of

fully paid and non-assessable shares of Common Stock, no par value per share (the "Common Stock"), of Cheniere Energy Operating Co., Inc., a Delaware corporation (hereinafter called the "Company"), specified above upon payment of the Warrant Price (as defined below) set forth in the warrant agreement between the Company and the Holder (the "Warrant Agreement").

As provided in the Warrant Agreement, certain adjustments may be made in the sole discretion of the Board of Directors of the Company in the number of shares of Common Stock issuable upon exercise of this Warrant in the event of the change in the number of shares of Common Stock of the Company outstanding by reason a stock split, combination of stock or stock dividend in such manner as the Board of Directors may deem equitable.

Reference is made to that certain Agreement and Plan of Reorganization dated as of April 16, 1996 (the "Reorganization Agreement") among the Company, the Stockholders of the Company listed on Schedule A to the Reorganization Agreement, BEXY Communications, Inc. ("BEXY") and Buddy Young and the Warrant Agreement. Capitalized terms used herein without definition shall have the same meanings as ascribed to them in the Reorganization Agreement. Pursuant to Section 1.2.2 of the Reorganization Agreement and Section 7 of the Warrant Agreement, each Cheniere Warrant shall be exchanged at the Closing for a BEXY Warrant pursuant to a formula whereby the right to purchase one (1) Cheniere Share at a

15

purchase price of \$30,000 per share shall be exchanged for the right to purchase ten thousand (10,000) shares of BEXY Stock at a purchase price of \$3 per share. Upon exchange for a BEXY Warrant, the form of assignment attached hereto must be properly completed and executed and surrendered to BEXY.

The warrant price per share (hereinafter called the "Warrant Price") shall be \$30,000. As provided in the Warrant Agreement, the Warrant Price is payable upon the exercise of this Warrant, in cash by check or other immediately available funds.

Upon the exercise of this Warrant, the form of election to purchase attached hereto must be properly completed and executed and surrendered to the Company or its transfer agent. In the event that this Warrant is exercised in respect of fewer than all of such shares, a new Warrant for the remaining number of such shares, substantially in the form hereof, will be issued on such surrender.

This Warrant is issued under, and the rights represented hereby are subject to, the terms and provisions contained in the Warrant Agreement. By acceptance of an assignment of this Warrant any assignee agrees and assents to all the terms and provisions of the Warrant Agreement. Reference is hereby made to terms and conditions of the Warrant Agreement for a more complete statement of the rights and limitations of rights of the registered holder hereof and the rights and obligations of the Company thereunder, which terms and conditions are incorporated herein by reference. Copies of the Warrant Agreement are on file at the principal office of the Company.

The Company shall be required upon the exercise of this Warrant to issue fractions of shares only up to the nearest one millionth of a share (.000001).

This Warrant is transferable at the office of the Company (or of its transfer agent) by the registered holder hereof in person or by attorney-in-fact duly authorized in writing, but only in the manner and subject to the limitations provided in the Warrant Agreement, and upon surrender of this Warrant, proper completion and delivery of an assignment in the form attached hereto and the payment of any transfer taxes. Upon any such transfer, a new Warrant, or new Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock will be issued to the transferee in exchange for this Warrant.

This Warrant when surrendered at the office of the Company (or of its transfer agent) by the registered holder hereof, in person or by attorney duly authorized in writing, may be exchanged, in the manner and subject to the limitations provided in the Warrant Agreement for another Warrant, or other Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock.

If this Warrant shall be surrendered for exercise within any period during which the transfer books for shares of the Common Stock of the Company or other securities purchasable upon the exercise of this Warrant are closed for any purpose, the Company shall

16

not be required to make delivery of certificates for the securities purchasable upon such exercise until the date of the reopening of said transfer books.

The Holder this Warrant shall not be entitled to any of the rights of

a stockholder of the Company prior to the exercise hereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its representative, hereunto duly authorized, as of this 14th day of June, 1996.

CHENIERE ENERGY OPERATING CO., INC.

By: _____
William D. Forster
President

17

Annex 1

PURCHASE FORM

Dated _____, 19__

The undersigned hereby irrevocably elects to exercise the within Warrant to the extent of purchasing shares of Common Stock and hereby makes payment in full by check or other immediately available funds totaling \$_____.

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name _____
(Please typewrite or print in block letters)

Address _____

Signature _____

Annex 2

ASSIGNMENT FORM

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Name _____
(Please typewrite or print in block letters)

Address _____

the right to purchase Common Stock represented by this Warrant to the extent of _____ shares as to which such right is exercisable and does hereby irrevocably constitute and appoint _____, Attorney, to transfer the same on the books of the Company with full power of substitution in the premises.

Date _____, 19__

Signature _____

18

ASSIGNMENT FORM

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Name _____
(Please typewrite or print in block letters)

Address _____

the right to purchase Common Stock represented by this Warrant to the extent of _____ shares as to which such right is exercisable and does hereby irrevocably constitute and appoint _____, Attorney, to transfer the same on the books of the Company with full power of substitution in the premises.

Date June 14, 1996

Signature _____

19

ASSIGNMENT FORM

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Name BEXY Communications, Inc.

(Please typewrite or print in block letters)

Address 16661 Venture Boulevard, Suite 214, Encino, California

the right to purchase Common Stock represented by this Warrant to the extent of _____ shares as to which such right is exercisable and does hereby irrevocably constitute and appoint _____, Attorney, to transfer the same on the books of the Company with full power of substitution in the premises.

Date July 3, 1996

Signature _____

20

WARRANT AGREEMENT

WARRANT AGREEMENT (this "Agreement") is made as of July 3, 1996 by and between CHENIERE ENERGY, INC. (f/k/a BEXY Communications, Inc.), a Delaware corporation ("the Company"), and _____ (the "Holder").

PRELIMINARY RECITALS

A. Pursuant to a certain Agreement and Plan of Reorganization dated as of April 16, 1996 (the "Reorganization Agreement") among Cheniere Energy Operating Co., Inc. ("Cheniere"), the stockholders of Cheniere (the "Cheniere Stockholders"), the Company and Buddy Young, the Cheniere Stockholders have agreed with the Company to exchange all of the issued and outstanding shares of common stock, no par value, of Cheniere (the "Cheniere Stock") in consideration for the issuance to the Cheniere Stockholders of shares of the common stock, \$.01 par value per share, of the Company (the "Common Stock") equal to approximately 93% of the issued and outstanding shares of Common Stock.

B. In addition, it is contemplated by the Reorganization Agreement that the holders (collectively, the "Cheniere Warrantholders") of all of the issued and outstanding warrants (collectively, the "Cheniere Warrants") to purchase shares of Cheniere Stock will exchange their Cheniere Warrants for warrants exercisable for shares of the common stock \$.01 par value, of the Company (collectively, the "BEXY Warrants").

C. Holder is a holder of a Cheniere Warrant and desires to exchange the Cheniere Warrant and the Company is willing to accept the Cheniere Warrant as consideration for the issuance to Holder of a BEXY Warrant, on the terms and subject to the conditions set forth below.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Holder agree as follows:

1. EXCHANGE FOR CHENIERE WARRANTS. Holder agrees to exchange the Cheniere Warrant owned by him and to accept in consideration therefor the Warrant, which is one of the BEXY Warrants contemplated by the Reorganization Agreement. Pursuant to this Agreement and the Warrant, Holder shall be entitled to purchase one (1) share of Common Stock for each ten thousand (10,000) shares of Cheniere Stock for which the Cheniere Warrant may be exercised. Other than the Purchase Price, the terms of the Warrant are substantially the same as the Cheniere Warrant.

2. GRANT OF WARRANT. The Company hereby grants to Holder a warrant to purchase up to _____ shares of Common Stock (the "Warrant Shares") at the purchase price of \$3 per share (the "Warrant"), such Warrant to be exercisable as hereinafter

provided, evidenced by a warrant certificate in the form attached as Exhibit A hereto (the "Warrant Certificate").

3. EXERCISE PERIOD. Subject to the other terms of this Agreement regarding the exercisability of the Warrant, the Warrant shall be exercisable during the period (the "Exercise Period") commencing on the date hereof and expiring on June 14, 1999.

4. EXERCISE OF WARRANT

(a) This Warrant may be exercised, from time to time, in whole or in part, at any time prior to the expiration thereof. Any exercise shall be accompanied by written notice to the Company specifying the number of shares as to which this Warrant is being exercised, in the form attached to the Warrant Certificate. Notations of any partial exercise or instalment exercise, shall be made by the Company and attached as a schedule hereto.

(b) The Company shall issue the Warrant Certificate or certificates evidencing the Warrant Shares within fifteen (15) days after receipt of such notice and payment as hereinafter provided.

5. PAYMENT OF PURCHASE PRICE UPON EXERCISE. At the time of any exercise of the Warrant the purchase price for the Warrant Shares shall be paid in full to the Company by check or other immediately available funds.

6. PURCHASE FOR INVESTMENT; RESALE RESTRICTIONS. The Holder hereby represents, and each assignee of Holder as a condition to transfer shall represent, that he is acquiring or will acquire the Warrant and the Warrant Shares for his own account, for investment only with no present intention of distributing or reselling such securities or any part thereof. Unless at the time of the acquisition of the Warrant or the exercise of the Warrant, as the case may be, there shall be, in the opinion of counsel for the Company, a valid

and effective registration statement under the Securities Act 1933 ("1933 Act") and appropriate qualification and registration under applicable state securities laws relating to the Warrant or the Warrant Shares, as the case may be, the Holder shall, prior to the assignment of the Warrant or upon exercise of the Warrant or any portion thereof, as the case may be, give a representation that he is acquiring such Warrant or Warrant Shares, as the case may be, for his own account, only for investment and not with the view to the resale or distribution of any of such securities. In the absence of such registration statement, the Holder shall execute a written affirmation, in form reasonably satisfactory to the Company, of such investment intent. The Holder further agrees that he will not sell or transfer the Warrant or any Warrant Shares, as the case may be, until he requests and receives an opinion from the Company's counsel, or other counsel reasonably satisfactory to the Company, to the effect that such proposed sale or transfer will not result in a violation of the 1933 Act or a registration statement covering the sale or transfer of the Warrant or Warrant Shares, as the case may be, has been declared effective by the Securities and Exchange Commission ("SEC"), or he obtains a no action letter from the SEC with respect to the

-2-

proposed transfer. There shall be stamped on the certificate(s) representing the Warrant or Warrant Shares, as the case may be, an appropriate legend giving notice of the acquisition of such Warrant or Warrant Shares, as the case may be, for investment and the restriction on their transfer by reason thereof.

7. ADJUSTMENTS. In the event of any change in the outstanding Common Stock of the Company by reason of any stock recapitalization, merger, consolidation, combination or exchange of shares, the kind of shares subject to the Warrant and their purchase price per share (but not the number of shares) shall be appropriately adjusted consistent with such change in such manner as the Board of Directors of the Company may deem equitable. In the event of a stock dividend or stock split, the kind of shares, the purchase price per share and number of shares shall be appropriately adjusted, consistent with such change in such manner as the Board of Directors may deem equitable. Any adjustments that are made by the Board of Directors shall be final and binding on the Holder.

8. NO RIGHTS OF STOCKHOLDER. The Holder shall have no rights as a stockholder with respect to any Warrant Shares prior to the date of purchase thereof and issuance to him of a certificate or certificates for such shares.

9. COMPLIANCE WITH LAW AND REGULATIONS. This Agreement and the obligation of the Company to sell and deliver the Warrant and the Warrant Shares shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If, at any time, the Board of Directors of the Company shall determine that (a) the listing, registration or qualification of the Warrant Shares upon any securities exchange or under any state or federal law or (b) the consent or approval of any government regulatory body, is necessary or desirable as a condition to, or in connection with, the offer, sale and issuance of the Warrant Shares, the Warrant shall not be exercised by the Holder in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained, free of any conditions not acceptable to the Board of Directors of the Company.

10. TAX WITHHOLDING REQUIREMENTS. The Company shall have the right to require the Holder to remit to the Company an amount sufficient to satisfy any federal, state or local withholding or other tax requirements applicable to the sale of the Warrant or the issuance and sale of the Warrant Shares prior to the delivery of any Warrant Certificate or Certificates for the Warrant Shares.

11. FRACTIONAL SHARES. To the extent required, fractional shares of stock shall be issued upon the exercise of this Warrant up to but not more than the nearest thousandth of a share (.001). The Company shall not be under any obligation to compensate the Holder in any way for fractional shares in less than such amounts.

12. SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law,

-3-

such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

13. COUNTERPARTS. This Agreement may be executed in two or more counterparts, any one of which need not contain the signatures of more than one party, but all of such counterparts taken together will constitute one and the same Agreement.

14. DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement and shall not be used in the interpretation hereof.

15. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon any and all successors and assigns of the parties.

16. AMENDMENTS. This Agreement may not be modified, amended, altered, or supplemented except upon the execution and delivery of a written agreement executed by Holder and the Company.

17. GOVERNING LAW. This Agreement shall be construed according to the laws of the State of Delaware without giving effect to the conflict of law provisions thereof, and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such state, except where preempted by federal laws.

18. NOTICES. Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or three (3) days after being sent by registered or certified mail, return receipt requested, postage prepaid, or transmitted by telecopy with oral confirmation, addressed as follows or to such other address of which the parties may have given notice in accordance with this Section 18:

If to Holder at the address set forth on the signature page of this Agreement.

If to the Company:

Cheniere Energy, Inc.
(f/k/a BEXY Communications, Inc.)
Two Allen Center
1200 Smith Street, Suite 1710
Houston, Texas 77002
Attn: Mr. William D. Forster
Fax: (713) 659-5459

with a copy to:

Whitman Breed Abbott & Morgan
200 Park Avenue
New York, NY 10166
Attn: Robert C. Brighton, Jr., Esq.
Fax: (212) 351-3131

-4-

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

CHENIERE ENERGY, INC.
(f/k/a BEXY Communications, Inc.)

By: _____
Name: William D. Forster
Title: President

HOLDER

By: _____
Name:

Address:

tel:
fax:

-5-

EXHIBIT A

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAW OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH LAWS.

CHENIERE ENERGY, INC.
(f/k/a BEXY Communications, Inc.)

WARRANT TO PURCHASE SHARES OF COMMON STOCK

The transferability of this Warrant is restricted as set forth in the related Warrant Agreement, a copy of which may be obtained from the Company at its principal office.

No. WA-_____ Up to _____ Shares

THIS CERTIFIES THAT for value received _____ (the "Holder") or registered assigns is the owner of a Warrant to purchase during the period expiring no later than 5:00 p.m. New York time on June 14, 1999, the number of fully paid and non-assessable shares of Common Stock, no par value per share (the "Common Stock"), of Cheniere Energy, Inc. (f/k/a BEXY Communications, Inc.), a Delaware corporation (hereinafter called the "Company"), specified above upon payment of the Warrant Price (as defined below) set forth in the warrant agreement between the Company and the Holder (the "Warrant Agreement").

As provided in the Warrant Agreement, certain adjustments may be made in the sole discretion of the Board of Directors of the Company in the number of shares of Common Stock issuable upon exercise of this Warrant in the event of the change in the number of shares of Common Stock of the Company outstanding by reason a stock split, combination of stock or stock dividend in such manner as the Board of Directors may deem equitable.

Reference is made to that certain Agreement and Plan of Reorganization dated as of April 16, 1996 (the "Reorganization Agreement") among Cheniere Energy Operating Co., Inc. ("Cheniere"), the stockholders of Cheniere listed on Schedule A to the Reorganization Agreement, the Company and Buddy Young and the Warrant Agreement. Capitalized terms used herein without definition shall have the same meanings as ascribed to them in the Reorganization Agreement. Pursuant to Section 1.2.2 of the Reorganization

-i-

Agreement and Section 1 of the Warrant Agreement, each Cheniere Warrant shall be exchanged at the Closing for a BEXY Warrant pursuant to a formula whereby the right to purchase one (1) Cheniere Share at a purchase price of \$30,000 per share shall be exchanged for the right to purchase ten thousand (10,000) shares of BEXY Stock at a purchase price of \$3 per share.

The warrant price per share (hereinafter called the "Warrant Price") shall be \$3. As provided in the Warrant Agreement, the Warrant Price is payable upon the exercise of this Warrant, in cash by check or other immediately available funds.

Upon the exercise of this Warrant, the form of election to purchase attached hereto must be properly completed and executed and surrendered to the Company or its transfer agent. In the event that this Warrant is exercised in respect of fewer than all of such shares, a new Warrant for the remaining number of such shares, substantially in the form hereof, will be issued on such surrender.

This Warrant is issued under, and the rights represented hereby are subject to, the terms and provisions contained in the Warrant Agreement. By acceptance of an assignment of this Warrant any assignee agrees and assents to all the terms and provisions of the Warrant Agreement. Reference is hereby made to terms and conditions of the Warrant Agreement for a more complete statement of the rights and limitations of rights of the registered holder hereof and the rights and obligations of the Company thereunder, which terms and conditions are incorporated herein by reference. Copies of the Warrant Agreement are on file at the principal office of the Company.

The Company shall be required upon the exercise of this Warrant to issue fractions of shares only up to the nearest thousandth of a share (.001).

This Warrant is transferable at the office of the Company (or of its transfer agent) by the registered holder hereof in person or by attorney-in-fact duly authorized in writing, but only in the manner and subject to the limitations provided in the Warrant Agreement, and upon surrender of this Warrant, proper completion and delivery of an assignment in the form attached hereto and the payment of any transfer taxes. Upon any such transfer, a new Warrant, or new Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock will be issued to the transferee in exchange for this Warrant.

This Warrant when surrendered at the office of the Company (or of its transfer agent) by the registered holder hereof, in person or by attorney duly authorized in writing, may be exchanged, in the manner and subject to the limitations provided in the Warrant Agreement for another Warrant, or other Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock.

If this Warrant shall be surrendered for exercise within any period during which the transfer books for shares of the Common Stock of the Company or other securities purchasable upon the exercise of this Warrant are closed for any purpose, the Company shall not be required to make delivery of certificates for the securities purchasable upon such exercise until the date of the reopening of said transfer books.

The Holder of this Warrant shall not be entitled to any of the rights of a stockholder of the Company prior to the exercise hereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its representative, thereunto duly authorized, as of this 3rd day of July, 1996.

CHENIERE ENERGY, INC.

By: _____
William D. Forster
President

ASSET TRANSFER, ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSET TRANSFER, ASSIGNMENT AND ASSUMPTION AGREEMENT ("Agreement") is made and entered into the 16th day of April, 1996, by and between Bexy Communications, Inc. a Delaware corporation ("Assignor"), and Mar Ventures Inc., a Delaware corporation ("Assignee").

RECITALS

WHEREAS, Assignor is a company engaged in the media business (the "Business");

WHEREAS, Assignor has entered into a certain Agreement and Plan of Reorganization dated as of April 16, 1996 (the "Reorganization Agreement") by and among Assignor, Cheniere Energy Operation Co., Inc. ("Cheniere"), the stockholders of Cheniere and Buddy Young, pursuant to which Assignor will effect a reorganization (the "Reorganization") of the management, business, capital structure and operations of Assignor;

WHEREAS, in connection with the Reorganization, Assignor contemplates acquiring the business of a company engaged in the oil and gas exploration business;

WHEREAS, it is contemplated by the Reorganization Agreement, that Assignor transfer all of its assets to Assignee and that Assignee assume all of the liabilities of Assignor, including but not limited to, its obligations under the Reorganization Agreement;

WHEREAS, Assignor has formed Assignee to receive the transfer of and hold Assignor's assets (the "Assets") and operate the Business; and

WHEREAS, the parties desire to set forth the terms of the transfer and assumption herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. TRANSFER, ASSIGNMENT AND ASSUMPTION.

1.1 Transfer and Assignment of Assets. Assignor hereby grants, conveys, assigns and transfers to Assignee all of its right, title and interest in and to all of the Assets, including, but not limited to, the following:

1.1.1 Intellectual Property. All of those trademarks' trade names, copyrights, service marks, licenses or patents listed in the Schedule of Patents, Copyrights and Trademarks attached hereto as Exhibit A and incorporated herein by referenced (the "Intellectual Property");

1.1.2 Personal Property. All of those items of furniture, fixtures, all associated production equipment and other equipment, computer equipment, hardware and other tangible personal property listed on the Schedule of Personal Property attached hereto as Exhibit B and incorporated herein by reference (the "Personal Property");

1.1.3 Program Agreements. All of the Assignor's right, title and interest in and to those certain production and distribution agreements and contracts (the "Agreements") related to the attached hereto as Exhibit C and incorporated herein by reference;

1.1.4 Equipment Leases. All of Assignor's right, title and interest as lessee in and to those certain equipment leases for leased equipment owned by Assignor listed on the Schedule of Equipment Leases attached hereto as Exhibit D and incorporated herein by reference (the "Equipment Leases");

1.1.5 Contracts, Accounts Receivable and Inventory. Any contracts, accounts receivable and inventory of Assignor relating exclusively to the Business attached hereto as Exhibit E (the "Contracts");

1.1.6 All Other Assets. All of the other assets of Assignor described in Exhibit F and incorporated herein by reference whether or not specifically referred to in any of the preceding paragraphs of this Section 1.

1.2 Assumption of Liabilities. Assignee accepts the grant, conveyance, assignment and transfer of the Assets as provided in Section 1.1 and in exchange for Assignor's transfer of Assets, the Assignee agrees to irrevocably and unconditionally assume all of the liabilities (including taxes) of Assignor with respect to the Business or any of the Assets, including, but not limited to, each of those liabilities described on the list attached as

Exhibit G and incorporated herein by reference (the "Assumed Liabilities"). The Assignor does not have in effect:

1.2.1 any collective bargaining agreements; or

2

1.2.2 any employee benefit plan as defined in ERISA.

2. CONSIDERATION. In consideration for the transfer of the Assets and the assumption of Assumed Liabilities of the Business, Assignee shall issue 452,000 of its shares of common stock to Assignor.

3. NO FURTHER CONVEYANCE NECESSARY. This Agreement shall effectively assign, transfer and convey all of the interest in the Assets from Assignor to Assignee without any further documents of conveyance. Likewise, this Agreement shall fully evidence the assumption of all of the Assumed Liabilities by Assignee without any further instrument of conveyance or assumption.

4. REPRESENTATIONS OF ASSIGNOR. Assignor represents and warrants as follows as of the date hereof:

4.1 Organization, etc. Assignor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate powers necessary to own its property and to carry on its business as now conducted and as proposed to be conducted.

4.2 Authorization. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Assignor. This Agreement constitutes the valid and binding obligation of Assignor, enforceable against it in accordance with its terms.

4.3 No Breach. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not violate, result in any breach of, or constitute a default under (i) Assignor's Certificate of Incorporation or Bylaws, (ii) any material agreement to which Assignor is a party or by which Assignor is bound, (iii) any order, judgment, injunction or decree of any court, arbitrator or governmental agency binding upon Assignor or by which any of its material assets are bound or (iv) any law, rule or regulation applicable to Assignor.

4.4 Tax and Other Returns and Reports. Except as set forth in Schedule of Assumed Liabilities in Exhibit G, delivered concurrently herewith, (i) all tax returns and tax reports required to be filed by Assignor have been filed with the appropriate governmental agencies in all jurisdictions in which such returns and reports are required to be filed and where failure to file would materially and adversely effect Assignor, (ii) all

3

government income, franchise, property and other taxes paid or chargeable to the operation of Assignor in accordance with its normal initial accounting and operational procedure (including interest and penalties) (x) have been fully paid or (y) are being contested in good faith by appropriate proceedings and are not material to Assignor and (iii) no issues have been raised or are currently pending by the IRS or any other governmental taxing authority in connection with any of the returns and reports referred to in the foregoing clause (i) which, individually or in the aggregate, might have a material adverse effect on Assignor and (iv) no waivers of the applicable statute of limitations have been executed.

4.5 Title to Property. Assignor will transfer to Assignee on the date hereof good and marketable title to the Assets, free and clear of mortgages, pledges, charges, encumbrances, equities, claims, covenants, conditions or reclaims, except for matters that, in the aggregate are not substantial in amount and do not materially detract from or interfere with the present or intended use of any of the Assets, or materially impair the Business (other than the Assumed Liabilities).

4.6 Effect of Representations. The representations and warranties of Assignor set forth in Section 3 are made solely for the purpose of this Agreement and shall not (i) survive the consummation of the transactions contemplated by this Agreement, (ii) inure to the benefit of, or be enforceable by or against, either the successors or permitted assigns of the parties hereto or any other person, or (iii) give rise to any action or claim against Assignor, including, without limitation, any action for negligent misrepresentation.

5. INDEMNIFICATION. The Assignor and Assignee agree to indemnify and hold harmless each other as follows:

5.1 Assignor shall indemnify, defend and hold harmless Assignee from any and all loss, cost, expense and liability (including attorneys' fees) incurred in connection with any claim or asserted claim which may be made

against Assignee and which arises directly or indirectly from any breach of this Agreement by Assignor.

5.2 Assignee shall indemnify, defend and hold harmless Assignor from any and all loss, cost, expense and liability (including attorneys' fees) incurred in connection with any claim or asserted claim which may be made against Assignor and which arises directly or indirectly from any breach of this Agreement by Assignee.

4

5.3 Promptly after receipt of notice of the commencement of any action in respect of which indemnity may be sought against either party hereunder, the indemnified party will notify the other party in writing of the commencement thereof and the other party shall, subject to the provisions stated below, assume the defense of such action (including the employment of counsel, who shall be counsel reasonably satisfactory to the indemnified party and shall not be counsel to the other party), and the payment of expenses insofar as such action shall relate to any alleged liability in respect of which indemnity is available. The indemnified party shall have the right to employ separate counsel in any action and to participate in the defense thereof, but the fees and expenses of its counsel shall not be at the expense of the other party unless the employment of that counsel has been specifically authorized by the other party.

6. ACCESS TO INFORMATION. Assignor and Assignee and each of their counsel, accountants and other representatives shall have full access during normal business hours to all properties, books, accounts, records, contracts and documents of or relating to the business of each other, and each of Assignor and Assignee shall furnish to each other and his representatives all information concerning the business, finances and properties of the other, that may reasonably be requested in connection with the transactions contemplated hereby. Assignor and Assignee will treat all information so obtained as confidential and preparation to this Agreement.

7. DISTRIBUTION OF ASSIGNEE SHARES. It is contemplated that such shares shall be distributed by Assignor to its stockholders or record as of May 15, 1996, subject to approval of such distribution by the stockholders of Assignor at a special meeting of stockholders to be called to approve the Reorganization and the Closing as described in the Reorganization Agreement.

8. REPRESENTATIONS OF ASSIGNEE. Assignee represents and warrants as follows:

8.1 Organization, etc. Assignee is a corporation duly organized and validly existing under the laws of the State of Delaware and has the corporate powers necessary to own its property and carry on its business as proposed to be conducted.

8.2 Authorization. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Assignee. This Agreement constitutes the valid and binding

5

obligation of Assignee, enforceable against it in accordance with its terms.

8.3 No Breach. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not violate (i) the Certificate of Incorporation or Bylaws of Assignee, (ii) any material agreement to which Assignee is a party or by which Assignee is bound, (iii) any order, judgment, injunction or decree of any court, arbitrator or governmental agency binding upon Assignee or by which any of its material assets are bound or (iv) any law, rule or regulation applicable to Assignee.

8.4 Effect of Representations. The representations and warranties of Assignee set forth in paragraphs 8.1, 8.2 and 8.3 are made solely for the purpose of this Agreement and shall survive the consummation of the transactions contemplated by this Agreement, and inure to the benefit of, or be enforceable by, either the successors or permitted assigns of Assignor.

9. MISCELLANEOUS.

9.1 Assignment. No assignment or transfer of any interest, right or obligation of any party hereunder shall be allowed without the prior written consent of all parties to this Agreement.

9.2 Amendments. This Agreement may not be amended, supplemented or otherwise modified except in writing signed by or on behalf of each party hereto.

9.3 Severability. In the event that any provision of this Agreement shall be held to be invalid, illegal or unenforceable, in whole or in part, such invalidity, illegality or unenforceability shall not in any way

whatsoever affect the validity of the other provisions of this Agreement and such other provisions shall remain in full force and effect.

9.4 Further Assurances. Each of the parties hereto agrees that, from and after the date hereof upon the reasonable request of the other party hereto and without further consideration, such party shall execute and deliver to such other party such documents and shall take such other actions as such other party may reasonably request in order to carry out the purposes and intentions of this Agreement, including, without limitation, the vesting in Assignee of the title to the Assets in accordance with such terms of this Agreement and the correction of related errors and defects.

6

9.5 Governing Law. This Agreement shall be governed by the laws of the State of Delaware.

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

ASSIGNOR:

BEXY COMMUNICATIONS, INC.,
a Delaware corporation

By: /s/Buddy Young

Its: President

ASSIGNEE:

MAR VENTURES, INC.,
a Delaware corporation

By: /s/ Buddy Young

Its: President

7

EXHIBIT A

SCHEDULE OF PATENTS, COPYRIGHTS AND TRADEMARKS

A-1

EXHIBIT C

SCHEDULE OF PROGRAM AGREEMENTS

C-1

EXHIBIT D

SCHEDULE OF EQUIPMENT LEASES

D-1

EXHIBIT E

CONTRACTS

E-1

EXHIBIT F

SCHEDULE OF OTHER ASSETS

F-1

EXHIBIT G

SCHEDULE OF ASSUMED LIABILITIES

1. ALL LIABILITIES AS SHOWN ON BEXY'S FEBRUARY 29, 1996, FORM 10-QSB.
2. ALL ACCOUNTS PAYABLE, OBLIGATIONS AND ACCRUED COSTS RELATING TO THE OPERATION OF BEXY'S BUSINESS DURING THE PERIOD OF MARCH 1, 1996, THROUGH THE CLOSING (AS DEFINED IN THE REORGANIZATION AGREEMENT).
3. ALL OBLIGATIONS OF BEXY UNDER THAT CERTAIN AGREEMENT AND PLAN OF REORGANIZATION.

G-1

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT (this "Agreement") made as of July 3, 1996, by BUDDY YOUNG, an individual having an address at 16661 Ventura Boulevard, Suite 214, Encino, California 91436 ("Young"), in favor of Cheniere Energy Operating Co., Inc. ("Cheniere"), a corporation formed and existing under the laws of the State of Delaware, having an address at Two Allen Center, 1200 Smith Street, Suite 1710, Houston, Texas 77002; the Stockholders of Cheniere listed on Schedule A attached to the Reorganization Agreement (as defined below) (collectively, the "Cheniere Stockholders"); and Cheniere Energy, Inc. (f/k/a BEXY Communications, Inc.), a corporation formed and existing under the laws of the State of Delaware (the "Company"), having an address at Two Allen Center, 1200 Smith Street, Suite 1710, Houston, Texas 77002. Capitalized terms used herein without definition shall have the same meanings as ascribed to them in the Reorganization Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, the parties have entered into a certain Agreement and Plan of Reorganization dated April 16, 1996 (the "Reorganization Agreement"), pursuant to which, prior to or concurrently with the execution and delivery of this Agreement, among other things, (i) the Company has assigned and transferred substantially all of the assets and business of the Company, subject to liabilities, to Mar Ventures, Inc. ("Newco") and distributed the shares of Newco to its stockholders (the "Divestiture") and (ii) the Cheniere Stockholders have exchanged their Cheniere Shares for shares of the BEXY Stock; and

WHEREAS, in order to obtain the approval of the stockholders of the Company to the Reorganization and to register the stock of Newco under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company has caused to be prepared and filed with the Securities and Exchange Commission (the "SEC") the Proxy Materials and the Registration Statement, respectively; and

WHEREAS, in order to induce Cheniere and the Cheniere Stockholders to enter into the Reorganization Agreement, Young has agreed to indemnify the Company, Cheniere and the Cheniere Stockholders from and against certain Claims (as hereinafter defined) described below; and

WHEREAS, it is in the interest and to the direct or indirect benefit of Young and the stockholders of the Company for Cheniere and the Cheniere Stockholders to enter into the Reorganization Agreement and consummate the Acquisition and the other transactions contemplated by the Reorganization Agreement.

NOW, THEREFORE, in consideration of TEN DOLLARS (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Young agrees as follows:

1. INDEMNIFICATION. (a) Young unconditionally and irrevocably indemnifies and agrees to indemnify and hold harmless the Company, Cheniere and the Cheniere Stockholders and their respective officers, directors, attorneys and other agents (the "Cheniere Indemnified Parties") from and against all Claims (as hereinafter defined) which any Cheniere Indemnified Party may suffer, incur, or pay arising under or incurred in connection with (i) the operation of the business of the Company prior to the Closing, (ii) any error or omission with respect to a material fact stated or required to be stated in the Proxy Materials or the Registration Statement with respect to the Company prior to the Closing and (iii) any Taxes (as defined below) (individually, a "Claim" and collectively, the "Claims").

(b) The indemnity given by the Indemnitor is a guaranty to pay fully and promptly all sums due with respect to any and all Claims and is not a guaranty of collection only. None of the Company, Cheniere and the Cheniere Stockholders shall be required to exhaust any right or remedy or take any action against any other person or any collateral. All suretyship defenses that Young has or may have under applicable law are hereby expressly waived and relinquished by Young. Without limiting any of the foregoing, Young hereby waives presentment, notice of dishonor, nonperformance or nonpayment, protest and notice of protest, any other notice of every kind or nature and diligence in bringing suit or taking any other action on account of nonpayment of any Claim, and consents to any modification, amendment or addition to the Reorganization Agreement and agrees that notwithstanding any such modification, amendment or addition, this Agreement shall remain in full force and effect in all respects. Further, and without limiting any of the foregoing, Young further waives the benefit of any statute of limitations affecting Young's liability under this Agreement or the enforcement thereof for so long as the underlying obligation is subject to being enforced, and Young agrees that any payment of any amounts due with respect to any Claims or other act which shall toll any statute of limitations applicable

thereto shall similarly operate to toll the statute of limitations applicable to Young's liability under this Agreement. Young warrants and agrees that each of the foregoing waivers are made with Young's full knowledge of their significance and consequences, and that under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any of said waivers are determined to be contrary to any applicable law or public policy, such waivers shall be effective only to the maximum extent permitted by law. Young hereby agrees to the jurisdiction of any court in which jurisdiction is obtained against Young with respect to any Claim. Young acknowledges that there are no conditions precedent to the effectiveness of this Agreement, and this Agreement is in full force and effect and is binding on Young as of the date hereof.

(c) For purposes of this Agreement, "Tax" or "Taxes" means all United States federal, state, local or foreign income, profits, franchise, sales, property, excise, value added, estimated, stamp, alternative or add-on minimum, environmental, withholding, and other taxes, assessments, duties, fees and governmental charges or impositions of each and every kind, together with all interest, penalties, and additions imposed with respect to such amounts, arising as the result of or incurred in connection with the consummation of the transactions contemplated by the Divestiture, including, without limitation, the assignment

2

and transfer of any asset to, or assumption of any liability by, Newco or the distribution of any shares of Newco or the business of the Company prior to the Closing Date or Newco after the Closing Date.

(d) Notwithstanding the foregoing, the estate of Buddy Young shall have no liability under this Agreement.

2. FURTHER ASSURANCES. Young shall take such actions and sign and deliver such other instruments and documents as may be reasonable, necessary or appropriate to effectuate its fulfillment of the obligations described in this Agreement.

3. AMENDMENT. No modification, waiver or termination of this Agreement, or any part hereof, shall be effective unless made in writing and signed by Young, the Company, Cheniere and the Cheniere Stockholders in each instance. Receipt by any party of any money or other consideration due under this Agreement, with or without knowledge, shall not constitute a waiver of any provision of this Agreement.

4. ENTIRE AGREEMENT. This Agreement, together with any Exhibits and Schedules hereto, constitutes the entire agreement between Young, the Company, Cheniere and the Cheniere Stockholders with respect to the subject matter hereof and supersedes all prior agreements or understandings, or communications of Young, the Company, Cheniere and the Cheniere Stockholders relating thereto.

5. WAIVER; REMEDIES. No delay on the part of the Company, Cheniere, the Cheniere Stockholders or Young in exercising any right, power, privilege, or remedy hereunder shall operate as a waiver thereof or as a waiver of any other right, power, privilege, or remedy hereunder, nor shall any single or partial exercise of any right, power, privilege or remedy hereunder preclude any other or future exercise hereunder. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies which Cheniere, the Cheniere Stockholders, the Company or Young hereto may otherwise have at law or in equity.

6. NOTICES. Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or three (3) days after being sent by registered or certified mail, return receipt requested, postage prepaid, or transmitted by telecopy with oral confirmation, addressed as follows or to such other address of which the parties may have given notice in accordance with this paragraph 7:

If to Young:

c/o BEXY Communications, Inc.
16661 Ventura Boulevard, Suite 214
Encino, CA 91436
Attn: Mr. Buddy Young, President & CEO
Fax: (818) 784-8660

3

With a copy to:

Hand & Hand
24901 Dana Point
Harbor Drive, Suite 200
Dana Point, CA 92629
Attn: Jehu Hand, Esq.
Fax: (714) 489-0034

If to the Company, Cheniere or the Cheniere
Stockholders:

Cheniere Energy, Inc.
Two Allen Center
1200 Smith Street, Suite 1710
Houston, Texas 77002
Attn: Mr. William D. Forster
Fax: (713) 659-5459

with a copy to:

Whitman Breed Abbott & Morgan
200 Park Avenue
New York, NY 10166
Attn: Robert C. Brighton, Jr., Esq.
Fax: (212) 351-3131

7. CAPTIONS. Paragraph titles or captions contained in this Agreement are listed only as a matter of convenience and for reference, and shall not be construed in any way to define, limit, extend or describe the scope of this Agreement or the intention of the provisions thereof.

8. SEVERABILITY. The invalidity of any one or more provisions hereof or of the Reorganization Agreement shall not affect the remaining portions of this Agreement or of the Reorganization Agreement, all of which are inserted conditionally on their being held valid in law; and if one or more of the provisions contained herein or therein should be valid, or should operate to render this or the Agreement invalid, this Agreement and Reorganization Agreement shall be construed as if such invalid provisions had not been inserted.

4

9. SURVIVAL. The obligations of Young hereunder shall survive the consummation of the transactions contemplated by the Reorganization Agreement for a period of three years.

IN WITNESS WHEREOF, Young has executed this Agreement as of the date set forth on the first page of this Agreement.

By:/s/ Buddy Young

Buddy Young

ACKNOWLEDGED AND ACCEPTED:

CHENIERE ENERGY OPERATING CO., INC.

By:/s/ William D. Forster

Name: William D. Forster
Title: President

CHENIERE ENERGY, INC.
(F/K/A BEXY COMMUNICATIONS, INC.)

By:/s/ William D. Forster

Name: William D. Forster
Title: President

5

WARRANT AGREEMENT

WARRANT AGREEMENT (this "Agreement") is made as of August 21, 1996 by and between CHENIERE ENERGY, INC., a Delaware corporation ("the Company"), and BLAIR FOSTER & CO., INC. (the "Holder").

PRELIMINARY RECITALS

A. In consideration for investment advisory and other services provided to the Company, the Company has agreed to grant to Holder a common stock purchase warrant entitling Holder and its permitted assigns to purchase, on the terms and subject to the conditions set forth below, shares of the common stock, \$.003 par value per share, of the Company (the "Common Stock").

B. Holder is willing to accept the Warrant (as hereinafter defined) as consideration for its services to the Company, on the terms and subject to the conditions set forth below.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Holder agree as follows:

1. GRANT OF WARRANT. The Company hereby grants to Holder a warrant to purchase up to 13,600 shares (the "Warrant Shares") of Common Stock at the purchase price of \$3 per share (the "Warrant"), such Warrant to be exercisable as hereinafter provided, evidenced by a warrant certificate in the form attached as Exhibit A hereto (the "Warrant Certificate").

2. EXERCISE PERIOD. Subject to the other terms of this Agreement regarding the exercisability of the Warrant, the Warrant shall be exercisable during the period (the "Exercise Period") commencing on the date hereof and expiring on May 15, 1999.

3. EXERCISE OF WARRANT

(a) This Warrant may be exercised, from time to time, in whole or in part, at any time prior to the expiration thereof. Any exercise shall be accompanied by written notice to the Company specifying the number of shares as to which this Warrant is being exercised, in the form attached to the Warrant Certificate. Notations of any partial exercise or instalment exercise, shall be made by the Company and attached as a schedule hereto.

(b) The Company shall issue the Warrant Certificate or certificates evidencing the Warrant Shares within fifteen (15) days after receipt of such notice and payment as hereinafter provided.

4. PAYMENT OF PURCHASE PRICE UPON EXERCISE. At the time of any exercise of the Warrant the purchase price for the Warrant Shares shall be paid in full to the Company by check or other immediately available funds.

5. PURCHASE FOR INVESTMENT; RESALE RESTRICTIONS. The Holder hereby represents, and each assignee of Holder as a condition to transfer shall represent, that he is acquiring or will acquire the Warrant and the Warrant Shares for his own account, for investment only with no present intention of distributing or reselling such securities or any part thereof. Unless at the time of the acquisition of the Warrant or the exercise of the Warrant, as the case may be, there shall be, in the opinion of counsel for the Company, a valid and effective registration statement under the Securities Act 1933 ("1933 Act") and appropriate qualification and registration under applicable state securities laws relating to the Warrant or the Warrant Shares, as the case may be, the Holder shall, prior to the assignment of the Warrant or upon exercise of the Warrant or any portion thereof, as the case may be, give a representation that he is acquiring such Warrant or Warrant Shares, as the case may be, for his own account, only for investment and not with the view to the resale or distribution of any of such securities. In the absence of such registration statement, the Holder shall execute a written affirmation, in form reasonably satisfactory to the Company, of such investment intent. The Holder further agrees that he will not sell or transfer the Warrant or any Warrant Shares, as the case may be, until he requests and receives an opinion from the Company's counsel, or other counsel reasonably satisfactory to the Company, to the effect that such proposed sale or transfer will not result in a violation of the 1933 Act or a registration statement covering the sale or transfer of the Warrant or Warrant Shares, as the case may be, has been declared effective by the Securities and Exchange Commission ("SEC"), or he obtains a no action letter from the SEC with respect to the proposed transfer. There shall be stamped on the certificate(s) representing the Warrant or Warrant Shares, as the case may be, an appropriate legend giving notice of the acquisition of such Warrant or Warrant Shares, as the case may be, for investment and the restriction on their transfer by reason thereof.

6. ADJUSTMENTS. In the event of any change in the outstanding Common Stock of the Company by reason of any stock recapitalization, merger, consolidation, combination or exchange of shares, the kind of shares subject to the Warrant and their purchase price per share (but not the number of shares) shall be appropriately adjusted consistent with such change in such manner as the Board of Directors of the Company may deem equitable. In the event of a stock dividend or stock split, the kind of shares, the purchase price per share and number of shares shall be appropriately adjusted, consistent with such change in such manner as the Board of Directors may deem equitable. Any adjustments that are made by the Board of Directors shall be final and binding on the Holder.

7. NO RIGHTS OF STOCKHOLDER. The Holder shall have no rights as a stockholder with respect to any Warrant Shares prior to the date of purchase thereof and issuance to him of a certificate or certificates for such shares.

8. COMPLIANCE WITH LAW AND REGULATIONS. This Agreement and the obligation of the Company to sell and deliver the Warrant and the Warrant Shares shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If, at any time, the Board of Directors of the Company shall determine that (a) the listing, registration or qualification of the Warrant Shares upon any securities exchange or under any state or federal law or (b) the consent or approval of any government regulatory body, is necessary or desirable as a condition to, or in connection with, the offer, sale and issuance of the Warrant Shares, the Warrant shall not be exercised by the Holder in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained, free of any conditions not acceptable to the Board of Directors of the Company.

9. TAX WITHHOLDING REQUIREMENTS. The Company shall have the right to require the Holder to remit to the Company an amount sufficient to satisfy any federal, state or local withholding or other tax requirements applicable to the sale of the Warrant or the issuance and sale of the Warrant Shares prior to the delivery of any Warrant Certificate or Certificates for the Warrant Shares.

2

10. FRACTIONAL SHARES. To the extent required, fractional shares of stock shall be issued upon the exercise of this Warrant up to but not more than the nearest thousandth of a share (.001). The Company shall not be under any obligation to compensate the Holder in any way for fractional shares in less than such amounts.

11. SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

12. COUNTERPARTS. This Agreement may be executed in two or more counterparts, any one of which need not contain the signatures of more than one party, but all of such counterparts taken together will constitute one and the same Agreement.

13. DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement and shall not be used in the interpretation hereof.

14. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon any and all successors and assigns of the parties.

15. AMENDMENTS. This Agreement may not be modified, amended, altered, or supplemented except upon the execution and delivery of a written agreement executed by Holder and the Company.

16. GOVERNING LAW. This Agreement shall be construed according to the laws of the State of Delaware without giving effect to the conflict of law provisions thereof, and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such state, except where preempted by federal laws.

17. NOTICES. Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or three (3) days after being sent by registered or certified mail, return receipt requested, postage prepaid, or transmitted by telecopy with oral confirmation, addressed as follows or to such other address of which the parties may have given notice in accordance with this Section 17:

If to Holder at the address set forth on the signature page of this Agreement.

If to the Company:

Cheniere Energy, Inc.
Two Allen Center
1200 Smith Street, Suite 1710
Houston, Texas 77002
Attn: Mr. William D. Forster
Fax: (713) 659-5459

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

CHENIERE ENERGY, INC.

3

By: _____
Name: William D. Forster
Title: President

BLAIR FOSTER & CO., INC.

By: _____
Name: _____
Title: _____

Address: _____

Tel: _____

Fax: _____

4

EXHIBIT A

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAW OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH LAWS.

CHENIERE ENERGY, INC.

WARRANT TO PURCHASE SHARES OF COMMON STOCK

The transferability of this Warrant is restricted as set forth in the related Warrant Agreement, a copy of which may be obtained from the Company at its principal office.

No. WA-12

Up to 13,600 Shares

THIS CERTIFIES THAT for value received BLAIR FOSTER & CO., INC. (the "Holder") or registered assigns is the owner of a Warrant to purchase during the period expiring no later than 5:00 p.m. New York time on May 15, 1999, the number of fully paid and non-assessable shares of Common Stock, \$.003 par value per share (the "Common Stock"), of Cheniere Energy, Inc., a Delaware corporation (hereinafter called the "Company"), specified above upon payment of the Warrant Price (as defined below) set forth in the warrant agreement between the Company and the Holder (the "Warrant Agreement").

As provided in the Warrant Agreement, certain adjustments may be made in the sole discretion of the Board of Directors of the Company in the number of shares of Common Stock issuable upon exercise of this Warrant in the event of the change in the number of shares of Common Stock of the Company outstanding by reason a stock split, combination of stock or stock dividend in such manner as the Board of Directors may deem equitable.

The warrant price per share (hereinafter called the "Warrant Price") shall be \$3. As provided in the Warrant Agreement, the Warrant Price is payable upon the exercise of this Warrant, in cash by check or other immediately available funds.

Upon the exercise of this Warrant, the form of election to purchase attached hereto must be properly completed and executed and surrendered to the Company or its transfer agent. In the event that this Warrant is exercised in respect of fewer than all of such shares, a new Warrant for the remaining number of such shares, substantially in the form hereof, will be issued on such

surrender.

This Warrant is issued under, and the rights represented hereby are subject to, the terms and provisions contained in the Warrant Agreement. By acceptance of an assignment of this Warrant any assignee agrees and assents to all the terms and provisions of the Warrant Agreement. Reference is hereby made to terms and conditions of the Warrant Agreement for a more complete statement of the rights and limitations of rights of the registered holder hereof and the rights and obligations of the

i

Company thereunder, which terms and conditions are incorporated herein by reference. Copies of the Warrant Agreement are on file at the principal office of the Company.

The Company shall be required upon the exercise of this Warrant to issue fractions of shares only up to the nearest thousandth of a share (.001).

This Warrant is transferable at the office of the Company (or of its transfer agent) by the registered holder hereof in person or by attorney-in-fact duly authorized in writing, but only in the manner and subject to the limitations provided in the Warrant Agreement, and upon surrender of this Warrant, proper completion and delivery of an assignment in the form attached hereto and the payment of any transfer taxes. Upon any such transfer, a new Warrant, or new Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock will be issued to the transferee in exchange for this Warrant.

This Warrant when surrendered at the office of the Company (or of its transfer agent) by the registered holder hereof, in person or by attorney duly authorized in writing, may be exchanged, in the manner and subject to the limitations provided in the Warrant Agreement for another Warrant, or other Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock.

If this Warrant shall be surrendered for exercise within any period during which the transfer books for shares of the Common Stock of the Company or other securities purchasable upon the exercise of this Warrant are closed for any purpose, the Company shall not be required to make delivery of certificates for the securities purchasable upon such exercise until the date of the reopening of said transfer books.

The Holder of this Warrant shall not be entitled to any of the rights of a stockholder of the Company prior to the exercise hereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its representative, thereunto duly authorized, as of this 21st day of August, 1996.

CHENIERE ENERGY, INC.

By: _____
William D. Forster
President

ii

Annex 1

PURCHASE FORM

Dated _____

The undersigned hereby irrevocably elects to exercise the within Warrant to the extent of purchasing _____ shares of Common Stock and hereby makes payment in full by check or other immediately available funds totaling \$_____.

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name _____
(Please typewrite or print in block letters)

Address _____

Signature _____

ASSIGNMENT FORM

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Name _____
(Please typewrite or print in block letters)

Address _____

the right to purchase Common Stock represented by this Warrant to the extent of _____ shares as to which such right is exercisable and does hereby irrevocably constitute and appoint _____, Attorney-in-Fact, to transfer the same on the books of the Company with full power of substitution in the premises.

Date _____, 19__

Signature _____

iii

WARRANT AGREEMENT

WARRANT AGREEMENT (this "Agreement") is made as of August 21, 1996 by and between CHENIERE ENERGY, INC., a Delaware corporation ("the Company"), and REDLIW CORP. (the "Holder").

PRELIMINARY RECITALS

C. In consideration for investment advisory and other services provided to the Company, the Company has agreed to grant to Holder a common stock purchase warrant entitling Holder and its permitted assigns to purchase, on the terms and subject to the conditions set forth below, shares of the common stock, \$.003 par value per share, of the Company (the "Common Stock").

D. Holder is willing to accept the Warrant (as hereinafter defined) as consideration for its services to the Company, on the terms and subject to the conditions set forth below.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Holder agree as follows:

1. GRANT OF WARRANT. The Company hereby grants to Holder a warrant to purchase up to 54,400 shares (the "Warrant Shares") of Common Stock at the purchase price of \$3 per share (the "Warrant"), such Warrant to be exercisable as hereinafter provided, evidenced by a warrant certificate in the form attached as Exhibit A hereto (the "Warrant Certificate").

2. EXERCISE PERIOD. Subject to the other terms of this Agreement regarding the exercisability of the Warrant, the Warrant shall be exercisable during the period (the "Exercise Period") commencing on the date hereof and expiring on May 15, 1999.

3. EXERCISE OF WARRANT

(a) This Warrant may be exercised, from time to time, in whole or in part, at any time prior to the expiration thereof. Any exercise shall be accompanied by written notice to the Company specifying the number of shares as to which this Warrant is being exercised, in the form attached to the Warrant Certificate. Notations of any partial exercise or instalment exercise, shall be made by the Company and attached as a schedule hereto.

(b) The Company shall issue the Warrant Certificate or certificates evidencing the Warrant Shares within fifteen (15) days after receipt of such notice and payment as hereinafter provided.

4. PAYMENT OF PURCHASE PRICE UPON EXERCISE. At the time of any exercise of the Warrant the purchase price for the Warrant Shares shall be paid in full to the Company by check or other immediately available funds.

5. PURCHASE FOR INVESTMENT; RESALE RESTRICTIONS. The Holder hereby represents, and each assignee of Holder as a condition to transfer shall represent, that he is acquiring or will acquire the Warrant and the Warrant Shares for his own account, for investment only with no present intention of

distributing or reselling such securities or any part thereof. Unless at the time of the acquisition of the Warrant or the exercise of the Warrant, as the case may be, there shall be, in the opinion of counsel for the Company, a valid and effective registration statement under the Securities Act 1933 ("1933 Act") and appropriate qualification and registration under applicable state securities laws relating to the Warrant or the Warrant Shares, as the case may be, the Holder shall, prior to the assignment of the Warrant or upon exercise of the Warrant or any portion thereof, as the case may be, give a representation that he is acquiring such Warrant or Warrant Shares, as the case may be, for his own account, only for investment and not with the view to the resale or distribution of any of such securities. In the absence of such registration statement, the Holder shall execute a written affirmation, in form reasonably satisfactory to the Company, of such investment intent. The Holder further agrees that he will not sell or transfer the Warrant or any Warrant Shares, as the case may be, until he requests and receives an opinion from the Company's counsel, or other counsel reasonably satisfactory to the Company, to the effect that such proposed sale or transfer will not result in a violation of the 1933 Act or a registration statement covering the sale or transfer of the Warrant or Warrant Shares, as the case may be, has been declared effective by the Securities and Exchange Commission ("SEC"), or he obtains a no action letter from the SEC with respect to the proposed transfer. There shall be stamped on the certificate(s) representing the Warrant or Warrant Shares, as the case may be, an appropriate legend giving notice of the acquisition of such Warrant or Warrant Shares, as the case may be, for investment and the restriction on their transfer by reason thereof.

6. ADJUSTMENTS. In the event of any change in the outstanding Common Stock of the Company by reason of any stock recapitalization, merger, consolidation, combination or exchange of shares, the kind of shares subject to the Warrant and their purchase price per share (but not the number of shares) shall be appropriately adjusted consistent with such change in such manner as the Board of Directors of the Company may deem equitable. In the event of a stock dividend or stock split, the kind of shares, the purchase price per share and number of shares shall be appropriately adjusted, consistent with such change in such manner as the Board of Directors may deem equitable. Any adjustments that are made by the Board of Directors shall be final and binding on the Holder.

7. NO RIGHTS OF STOCKHOLDER. The Holder shall have no rights as a stockholder with respect to any Warrant Shares prior to the date of purchase thereof and issuance to him of a certificate or certificates for such shares.

8. COMPLIANCE WITH LAW AND REGULATIONS. This Agreement and the obligation of the Company to sell and deliver the Warrant and the Warrant Shares shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If, at any time, the Board of Directors of the Company shall determine that (a) the listing, registration or qualification of the Warrant Shares upon any securities exchange or under any state or federal law or (b) the consent or approval of any government regulatory body, is necessary or desirable as a condition to, or in connection with, the offer, sale and issuance of the Warrant Shares, the Warrant shall not be exercised by the Holder in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained, free of any conditions not acceptable to the Board of Directors of the Company.

9. TAX WITHHOLDING REQUIREMENTS. The Company shall have the right to require the Holder to remit to the Company an amount sufficient to satisfy any federal, state or local withholding or other tax requirements applicable to the sale of the Warrant or the issuance and sale of the Warrant Shares prior to the delivery of any Warrant Certificate or Certificates for the Warrant Shares.

10. FRACTIONAL SHARES. To the extent required, fractional shares of stock shall be issued upon the exercise of this Warrant up to but not more than the nearest thousandth of a share (.001). The Company shall not be under any obligation to compensate the Holder in any way for fractional shares in less than such amounts.

11. SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

12. COUNTERPARTS. This Agreement may be executed in two or more counterparts, any one of which need not contain the signatures of more than one party, but all of such counterparts taken together will constitute one and the same Agreement.

13. DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement and shall not be used in the interpretation hereof.

14. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon any and all successors and assigns of the parties.

15. AMENDMENTS. This Agreement may not be modified, amended, altered, or supplemented except upon the execution and delivery of a written agreement executed by Holder and the Company.

16. GOVERNING LAW. This Agreement shall be construed according to the laws of the State of Delaware without giving effect to the conflict of law provisions thereof, and all provisions hereof shall be administered according to and its validity shall be determined under, the laws of such state, except where preempted by federal laws.

17. NOTICES. Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or three (3) days after being sent by registered or certified mail, return receipt requested, postage prepaid, or transmitted by telecopy with oral confirmation, addressed as follows or to such other address of which the parties may have given notice in accordance with this Section 17:

If to Holder at the address set forth on the signature page of this Agreement.

If to the Company:

Cheniere Energy, Inc.
Two Allen Center
1200 Smith Street, Suite 1710
Houston, Texas 77002
Attn: Mr. William D. Forster
Fax: (713) 659-5459

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

CHENIERE ENERGY, INC.

3

By: _____
Name: William D. Forster
Title: President

REDLIW CORP.

By: _____
Name:
Title:

Address: _____

Tel: _____

Fax: _____

4

EXHIBIT A

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAW OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH LAWS.

CHENIERE ENERGY, INC.

WARRANT TO PURCHASE SHARES OF COMMON STOCK

The transferability of this Warrant is restricted as set forth in the related Warrant Agreement, a copy of which may be obtained from the Company at its principal office.

THIS CERTIFIES THAT for value received REDLIW CORP. (the "Holder") or registered assigns is the owner of a Warrant to purchase during the period expiring no later than 5:00 p.m. New York time on May 15, 1999, the number of fully paid and non-assessable shares of Common Stock, \$.003 par value per share (the "Common Stock"), of Cheniere Energy, Inc., a Delaware corporation (hereinafter called the "Company"), specified above upon payment of the Warrant Price (as defined below) set forth in the warrant agreement between the Company and the Holder (the "Warrant Agreement").

As provided in the Warrant Agreement, certain adjustments may be made in the sole discretion of the Board of Directors of the Company in the number of shares of Common Stock issuable upon exercise of this Warrant in the event of the change in the number of shares of Common Stock of the Company outstanding by reason a stock split, combination of stock or stock dividend in such manner as the Board of Directors may deem equitable.

The warrant price per share (hereinafter called the "Warrant Price") shall be \$3. As provided in the Warrant Agreement, the Warrant Price is payable upon the exercise of this Warrant, in cash by check or other immediately available funds.

Upon the exercise of this Warrant, the form of election to purchase attached hereto must be properly completed and executed and surrendered to the Company or its transfer agent. In the event that this Warrant is exercised in respect of fewer than all of such shares, a new Warrant for the remaining number of such shares, substantially in the form hereof, will be issued on such surrender.

This Warrant is issued under, and the rights represented hereby are subject to, the terms and provisions contained in the Warrant Agreement. By acceptance of an assignment of this Warrant any assignee agrees and assents to all the terms and provisions of the Warrant Agreement. Reference is hereby made to terms and conditions of the Warrant Agreement for a more complete statement of the rights and limitations of rights of the registered holder hereof and the rights and obligations of the

5

Company thereunder, which terms and conditions are incorporated herein by reference. Copies of the Warrant Agreement are on file at the principal office of the Company.

The Company shall be required upon the exercise of this Warrant to issue fractions of shares only up to the nearest thousandth of a share (.001).

This Warrant is transferable at the office of the Company (or of its transfer agent) by the registered holder hereof in person or by attorney-in-fact duly authorized in writing, but only in the manner and subject to the limitations provided in the Warrant Agreement, and upon surrender of this Warrant, proper completion and delivery of an assignment in the form attached hereto and the payment of any transfer taxes. Upon any such transfer, a new Warrant, or new Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock will be issued to the transferee in exchange for this Warrant.

This Warrant when surrendered at the office of the Company (or of its transfer agent) by the registered holder hereof, in person or by attorney duly authorized in writing, may be exchanged, in the manner and subject to the limitations provided in the Warrant Agreement for another Warrant, or other Warrants of different denominations, of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock.

If this Warrant shall be surrendered for exercise within any period during which the transfer books for shares of the Common Stock of the Company or other securities purchasable upon the exercise of this Warrant are closed for any purpose, the Company shall not be required to make delivery of certificates for the securities purchasable upon such exercise until the date of the reopening of said transfer books.

The Holder of this Warrant shall not be entitled to any of the rights of a stockholder of the Company prior to the exercise hereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its representative, thereunto duly authorized, as of this 21st day of August, 1996.

CHENIERE ENERGY, INC.

By: _____
William D. Forster

Annex 1

PURCHASE FORM

Dated _____

The undersigned hereby irrevocably elects to exercise the within Warrant to the extent of purchasing _____ shares of Common Stock and hereby makes payment in full by check or other immediately available funds totaling \$_____.

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name _____
(Please typewrite or print in block letters)

Address _____

Signature _____

Annex 2

ASSIGNMENT FORM

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Name _____
(Please typewrite or print in block letters)

Address _____

the right to purchase Common Stock represented by this Warrant to the extent of _____ shares as to which such right is exercisable and does hereby irrevocably constitute and appoint _____, Attorney-in-Fact, to transfer the same on the books of the Company with full power of substitution in the premises.

Date _____, 19__

Signature _____

CONSULTING AGREEMENT

CONSULTING AGREEMENT (this "Agreement"), made as of the 3rd day of July, 1996, by and between CHENIERE ENERGY, INC. (f/k/a BEXY Communications, Inc.), a Delaware corporation (the "Company"), and BUDDY YOUNG, an individual ("Consultant").

W I T N E S S E T H:

WHEREAS, Consultant is experienced in the management and operation of a public companies; and

WHEREAS, the Company desires to engage the Consultant to provide management of the Company with certain advice regarding the management and business of the Company, upon the terms and subject to the conditions set forth below.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. TERM

The Company hereby agrees to retain Consultant as a consultant to the management of the Company and Consultant hereby accepts and agrees to serve in such capacity, for a period of two (2) years commencing as of the date hereof unless sooner terminated as herein provided (the "Term").

2. DUTIES

(a) Consultant shall make himself available for consultation with the management of the Company concerning the business and operation of the Company and shall agree to provide consultation and advice with respect to such other matters as the Company may request. Such services shall be performed by Consultant only after the Company has made a specific request therefor.

(b) Consultant may perform his duties hereunder by use of telephone, telefax or other means of telecommunication. Consultant shall not be required to maintain a physical presence at the Company's offices, but shall be required to use his reasonable best efforts to attend meetings of the Board of Directors of the Company in person or by telephone and upon reasonable prior notice.

3. COMPENSATION

(a) For and in consideration of and in full payment for the services to be rendered by Consultant to the Company during the Term, the Company agrees to pay Consultant a consulting fee of \$75,000 per annum payable in monthly installments on the first day of each month during the Term or in such other installments as the parties may mutually agree upon.

(b) The Company shall reimburse Consultant for its his reasonable expenses incurred in connection with performance of its duties hereunder, including, but not limited to, expenses related to travel, lodging and meals under Section 2(b) above, promptly after receipt of backup invoices and receipts therefor; provided, however, that Consultant shall not incur any expenses

relating to the performance of its duties hereunder without obtaining the prior written approval of the Company.

4. INDEPENDENT CONTRACTOR; NON-EXCLUSIVE

(a) It is understood and agreed that Consultant is, and shall at all times during the Term be deemed to be an independent contractor, and nothing in this Agreement shall in any way be deemed or construed to constitute Consultant as an agent or employee of the Company nor shall Consultant have the right or authority to act as, incur, assume or create any obligation, responsibility or liability, express or implied, in the name of or on behalf of the Company or to bind the Company in any manner whatsoever or sign any documents on its behalf. Subject to Sections 2 and 3(b) hereof, Consultant shall determine in its sole discretion the method, details and means of performing its duties hereunder, and the Company shall have no right to control or direct the foregoing.

(b) The consulting services to be rendered hereunder will not be exclusive to either party. Consultant may engage in such other activities, consulting or otherwise, as consultant in its sole discretion deems appropriate.

Similarly, the Company may retain other consultants in its sole discretion.

5. WITHHOLDING TAX

The Company shall not be responsible for withholding from any payments made to Consultant hereunder any contributions levied by any state or federal statutes relating to social security or similar benefits.

6. TERMINATION

Consultant's services hereunder may be terminated by the Company only under the following circumstances:

(a) DEATH. In the event Consultant dies during the Term; the Term shall terminate upon his death.

2

(b) CAUSE. The Company may, at any time, terminate this Agreement for cause upon thirty (30) days' written notice of termination to Consultant. "Cause" shall mean that there has been a final, non-appealable determination by a court of competent jurisdiction that Consultant has committed civil or criminal embezzlement, theft or other dishonest or fraudulent acts, materially adversely affecting the Company.

If this Agreement shall be terminated for Cause, the Company shall have no further obligations to Consultant as of the date of termination.

7. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties with respect to Consultant's consultancy with the Company during the Term, including, but not limited to, any agreement with respect to remuneration, fees, payments or benefits of any kind payable to Consultant with respect to such consultancy, and, other than Article XVII of the Purchase Agreement relating to arbitration of disputes, there is no other agreement between the parties with respect to the subject matter hereof, written or oral, other than as provided hereby. This Agreement may not be amended, modified, supplemented or discharged except by a writing duly executed by the parties hereto.

8. NOTICES

Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or three (3) days after being sent by registered or certified mail, return receipt requested, postage prepaid, or transmitted by telecopy with oral confirmation, addressed as follows or to such other address of which the parties may have given notice in accordance with this Section 6.4:

If to Consultant:

16661 Ventura Boulevard, Suite 214
Encino, CA 91436
Attn: Mr. Buddy Young, President & CEO
Fax: (818) 784-8660

With a copy to:

Hand & Hand
24901 Dana Point
Harbor Drive, Suite 200
Dana Point, CA 92629
Attn: Jehu Hand, Esq.
Fax: (714) 489-0034

3

If to the Company:

Cheniere Energy, Inc.
Two Allen Center
1200 Smith Street, Suite 1710
Houston, Texas 77002
Attn: Mr. William D. Forster
Fax: (713) 659-5459

With a copy to:

Whitman Breed Abbott & Morgan
200 Park Avenue
New York, NY 10166

9. WAIVER

The waiver by either party hereto of the breach of any provision of this Agreement by the other party hereto shall not operate or be construed as a waiver or any other provision hereof or of any subsequent breach by such other party.

10. SEVERABILITY

If any provision of this Agreement shall be held to be invalid or unenforceable, the other provisions of this Agreement shall not be affected thereby and this Agreement shall be construed as if the provision held to be invalid or unenforceable had never been contained herein and such provision shall be reformed and redrawn only to the extent necessary so as to be valid and enforceable under applicable law.

11. SUCCESSORS

This Agreement shall be binding upon and shall inure to the benefit of the Company and any successor of the Company, and any such successor shall be deemed substituted for the Company under the provisions of this Agreement. As used herein, the term "successor" shall mean any person, firm, corporation or other business entity which at any time, whether by merger, purchase, liquidation or otherwise, acquires all or substantially all of the assets or business at the Company. Consultant may assign its rights and delegate its obligations hereunder to a consulting corporation wholly-owned by Consultant and otherwise reasonably acceptable to the Company.

4

12. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the conflict of law provisions thereof.

IN WITNESS WHEREOF, the parties hereto have signed and delivered this Agreement on the date first above written.

THE COMPANY:

CHENIERE ENERGY, INC.

By: /s/ William D. Forster

William D. Forster, President

CONSULTANT:

/s/ Buddy Young

Buddy Young, individually

5

CHENIERE ENERGY, INC.
Two Allen Center
1200 Smith Street, Suite 1710
Houston, Texas 77002

July 3, 1996

Mr. Buddy Young
16661 Ventura Boulevard, Suite 214
Encino, California 91436

Dear Buddy:

Reference is made to that certain Agreement and Plan of Reorganization dated as of April 16, 1996 (the "Agreement") among Cheniere Energy, Inc. (f/k/a BEXY Energy, Inc.) and you, and Cheniere Energy Operating Co., Inc. and the Stockholders of Cheniere. Capitalized terms used herein without definition shall have the same meanings as ascribed to them in the Agreement.

Reference is further made to Section 3.6 of the Agreement pursuant to which we have agreed to enter into this letter agreement confirming our understanding and agreement with respect to the reverse split of the common stock of Cheniere Energy, Inc. (f/k/a BEXY Communications, Inc.) (the "Company").

Accordingly, in consideration of the benefits accruing to us under the Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, for a period of eighteen months from the date hereof, we agree not to engage in any reverse stock split or any transaction that has the effect of a reverse stock split, resulting in the combination of shares of outstanding common stock of the Company, other than the Reverse Split as described in the Agreement, without your prior written consent.

Please sign and return the enclosed copy of this letter to indicate your acknowledgement of and consent to the foregoing. This letter may be signed in counterparts and facsimile signatures shall be treated as originals.

Very truly yours,

CHENIERE ENERGY, INC.

By: /s/ William D. Forster

William D. Forster
President

ACCEPTED AND ACKNOWLEDGED
this 2nd day of July, 1996

/s/ Buddy Young

Buddy Young, individually

SUBSIDIARIES OF CHENIERE ENERGY, INC.

1. Cheniere Energy Operating Co., Inc.
2. Mar Ventures Inc.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS
CHENIERE ENERGY, INC.

As independent public accountants, we hereby consent to the use of our report
(and to all references to our firm) included in this registration statement.

MERDINGER, FRUCHTER, ROSEN & CORSO, P.C.
Certified Public Accountants

August 19, 1996
New York, New York

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CHENIERE ENERGY, INC.:

We hereby consent to the use of our reports dated November 9, 1995 and October 24, 1994, on the 1995, 1994 and 1993 financial statements, included in this Registration Statement on Form S-1 and to the reference to our Firm under the heading "Experts" in the prospectus.

FARBBER & HASS

August 21, 1996