

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
AMENDMENT NO. 1
TO
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.)
</TABLE>		

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: From time to
time 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:

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:

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>

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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 SEPTEMBER 13, 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"). The Common Stock was originally issued by Cheniere to certain holders of shares of common stock of Cheniere Energy Operating Co., Inc., a wholly-owned subsidiary of Cheniere,

and to an "accredited investor" (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. See "Description of Capital Stock".

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 September 10, 1996, the last reported sale price of the Common Stock on the Bulletin Board was \$3.375 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 SECURITIES 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 September __, 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. (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 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 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."

4

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, \$5 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."

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 September 10, 1996, approximately 50% 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 309,666 and 2/3 shares of the Common Stock for issuance upon the exercise of outstanding warrants and 319,444 and 2/3

5

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, Ltd. ("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 54.9% 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 can be 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. Under the terms of the Exploration Agreement, any such penalties payable under the Louisiana Seismic Permit shall be borne equally by Zydeco and the Company. 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 ("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. 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. Subsequently, the Company distributed the outstanding capital stock of Mar Ventures to the original holders of Bexy common stock.

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 9,931,767 shares outstanding as of September 10, 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>

<u><S></u>	<u><C></u>
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>

9

- (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 divested 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 equating 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 September 10, 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 September 10, 1996 there were 762 record holders of the Common Stock which does not include 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, Inc. 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)
	----- <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>

11

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, Inc. ("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 distributed the outstanding capital stock of Mar Ventures to the original holders of Bexy common stock.

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 21, 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 \$8 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."

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 of 1933, as amended (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 late August 1996, the Company raised \$1,000,000 from the sale of 100,000 units, each consisting of five shares of the Common Stock and a warrant to purchase one share of the Common Stock, pursuant to Regulation S. The proceeds were used to fund a \$1 million payment to the 3-D Joint Venture made on September 4, 1996.

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 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 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 September 30, 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, the Transition Zone has been relatively less explored to date as compared to exclusively onshore or offshore regions because of the relatively high cost and logistical and technical difficulties associated with conducting modern seismic surveys over the diverse environments encountered along the coast. An additional impediment has been the difficulty 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 middle to lower Miocene reservoir section 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 prestack 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>

April - Sept.	1996	Onshore Permitting and Lease Optioning
Sept. - 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. Under the terms of the Exploration Agreement, any such penalties payable under the Louisiana Seismic Permit shall be borne equally by Zydeco and the Company. 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.

19

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 international oil producing regions, 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. 636-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, Inc. ("Mar Ventures"). As part of such Reorganization, the stock of Mar Ventures has been distributed to the Original Bexy Stockholders. 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 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:

<TABLE>
<CAPTION>
Name Age Title

<S>
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
</TABLE>

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, Ltd., a Paris-based private investment company, to provide financing for small energy companies. Mr. Forster is a director of Equity Oil Company, a Nasdaq National Market 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.

25

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 has divested 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, began 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 during the fiscal year ended August 31, 1996 to each of the named executive officers.

<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.

AGGREGATED OPTION EXERCISED IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUE

The following table sets forth certain information with respect to the outstanding stock options as of August 31, 1996 for each of the named

executive officers.

<TABLE>
<CAPTION>

	Number of Securities Underlying Unexercised Options at 8/31/96 (#)		Value of Unexercised In-the-Money Options at 8/31/96 (\$)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
<S> Name	<C>	<C>	<C>	<C>

William D. Forster..	-	-	-	-
Walter L. Williams..	-	150,000	-	37,500/(1)/
Keith F. Carney.....	-	150,000	-	37,500/(1)/
	-----	-----	-----	-----

</TABLE>

/(1)/ Market value of underlying securities at fiscal year-end 8/31/96 (\$3.25), minus the exercise price.

CERTAIN RELATIONSHIPS AND TRANSACTIONS WITH MANAGEMENT

BSR Investments, Ltd. ("BSR"), an entity holding approximately 26.2% 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 shares 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").

The shares of the Common Stock being registered pursuant to the registration statement of which this prospectus is a part include (i) 794,211 shares issued in connection with the Reorganization to the initial subscribers for common stock of Cheniere Operating and their transferees, other than shares held by BSR Investments, Ltd. and William D. Forster, (ii) 2,000,000 shares issued in connection with the Reorganization to holders of common stock of Cheniere Operating issued in May and June 1996 pursuant to Regulation D and (iii) 50,000 shares issued in July 1996 pursuant to Regulation D.

COMMON STOCK

As of the date of this Prospectus, there were 9,931,767 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 Redliw 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. Such 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).

In late August 1996, the Company sold 100,000 units pursuant to Regulation S, each such unit consisting of 5 shares of the Common Stock and a warrant to purchase one share of the Common Stock. Each such warrant is exercisable on or before September 1, 1999 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 time 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). Although the Company is not currently subject to Section 203, the Company intends to apply for listing on the Nasdaq SmallCap Market as soon as practicable. See "The Company". If and when the Company becomes so listed, and if the Company does not amend its Certificate of Incorporation or By-laws to exclude the application of Section 203, such section will 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, Ltd. ("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 54.9% 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 certain holders of the 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.

30

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)/	28.7%
BSR Investments, Ltd.	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)/	29.2

</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, Ltd., 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,

31

any discounts, commissions and other items constituting compensation from the Selling Stockholders and any discounts, commissions or concessions allowed or reallowed 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>
Independent Auditors' Report

<C>
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

F-2

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.

F-3

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.

F-4

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 Outstanding	Amount
<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 21, 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 Three Months Ended		For the 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

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.

FARBER & HASS

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		CONTRIBUTED CAPITAL	ACCUMULATED DEFICIT	NOTES RECEIVABLE FROM SHAREHOLDERS	TOTAL SHAREHOLDER'S EQUITY
	SHARES OUTSTANDING	AMOUNT				
<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		CONTRIBUTED CAPITAL	ACCUMULATED DEFICIT	NOTES RECEIVABLE FROM SHAREHOLDERS	TOTAL SHAREHOLDER'S EQUITY
	SHARES OUTSTANDING	AMOUNT				
<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)	\$ 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> 2. PROGRAM INVENTORY <C>

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.

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.

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

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.

F-27

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.

F-28

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:

<u><TABLE></u> <u><CAPTION></u>	<u><C></u>
<S>	
"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:

<u><TABLE></u> <u><CAPTION></u>	<u><C></u>
<S>	
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

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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.....	8
Use of Proceeds.....	9
Capitalization.....	9
Market Price and Dividend Information....	9
Selected Financial Data.....	10
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	11
Business and Properties.....	12
Management.....	24
Description of Capital Stock.....	26
Selling Stockholders.....	29
Principal Stockholders.....	30
Plan of Distribution.....	30
Legal Matters.....	31
Experts.....	31
Available Information.....	32

</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.....	\$ 10,000.00
Legal Fees and Expenses.....	\$150,000.00
Securities and Exchange Commission Filing Fee.....	\$ 3,127.00
Miscellaneous Expenses.....	\$ 10,000.00
Total.....	\$173,127.00

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(b)(7) of the DGCL, directors of the Company will not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (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) under 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, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), 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 (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit 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 except that no indemnification shall 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 upon application that, despite the

adjudication of liability but in view of all the circumstances of the case, 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 on the merits or otherwise in the defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145, or in the defense of any claim, issue, or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith; that indemnification and advancement of expenses provided by, or granted pursuant to Section 145 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to his official capacity and as to action in another capacity while holding such office; that indemnification and advancement of expenses provided by, or granted pursuant to, Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person; and that the corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation against any liability asserted against him and 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 liability under such Section 145.

Article IX of the Company's Bylaws contains detailed indemnification rights for the Company's directors, other employees and other agents. The Bylaws

provide for indemnification in accordance with the provisions of Section 145 of the DGCL.

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.

In late August 1996, the Company raised \$1,000,000 from the sale of 100,000 units, each consisting of five shares of the Common Stock and a warrant to purchase one share of the Common Stock, pursuant to Regulation S.

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 Redliw 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./*/

* Filed previously.

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 12th day of September, 1996.

CHENIERE ENERGY, INC.

By: /s/ William D. Forster

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

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 12th day of September, 1996.

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

/s/ * Vice-Chairman and Director

Walter L. Williams

/s/ * Chief Financial Officer and Treasurer

Keith F. Carney

/s/ * Secretary and Director

Charif Souki

/s/ * Director

Efrem Zimbalist III

By: /s/ William D. Forster

William D. Forster
Attorney-in-Fact

</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
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5.1	Opinion of Dewey Ballantine
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23.3	Consent of Farber & Hass/*/
24.1	Powers of Attorney included on signature page./*/

* Filed previously.

BY-LAWS
OF
CHENIERE ENERGY, INC.

Adopted by the Board of
Directors by resolutions dated
as of August 20, 1996

TABLE OF CONTENTS

<TABLE>
<CAPTION>

Section ----- <S>	<C>	Page ----- <C>
ARTICLE I	OFFICES	1
SECTION 1.01.	Registered Office	1
SECTION 1.02.	Other Offices	1
ARTICLE II	MEETING OF STOCKHOLDERS	1
SECTION 2.01.	Annual Meetings	1
SECTION 2.02.	Special Meetings	1
SECTION 2.03.	Notice of Meetings	1
SECTION 2.04.	Waiver of Notice	2
SECTION 2.05.	Adjournments	3
SECTION 2.06.	Quorum	3
SECTION 2.07.	Voting	3
SECTION 2.08.	Proxies	3
SECTION 2.09.	Stockholders' Consent in Lieu of Meeting	3
ARTICLE III	BOARD OF DIRECTORS	4
SECTION 3.01.	General Powers	4
SECTION 3.02.	Number and Term of Office	4
SECTION 3.03.	Resignation	4
SECTION 3.04.	Removal	4
SECTION 3.05.	Vacancies.	4
SECTION 3.06.	Meetings.	5
SECTION 3.07.	Committees of the Board	6
SECTION 3.08.	Directors' Consent in Lieu of Meeting	7
SECTION 3.09.	Action by Means of Telephone or Similar Communications Equipment	7
SECTION 3.10.	Compensation	7
ARTICLE IV	OFFICERS	7
SECTION 4.01.	Officers	7
SECTION 4.02.	Authority and Duties	7
SECTION 4.03.	Term of Office, Resignation and Removal	7
SECTION 4.04.	Subordinate Officers	8
SECTION 4.05.	Vacancies	8
SECTION 4.06.	The Chairman	8
SECTION 4.07.	The Vice-Chairman	8
SECTION 4.08.	The President	8

</TABLE>

<TABLE>		
<S>	<C>	<C>
SECTION 4.09.	Vice Presidents	8
SECTION 4.10.	The Secretary	9
SECTION 4.11.	Assistant Secretaries	9
SECTION 4.12.	The Treasurer	9
SECTION 4.13.	Assistant Treasurers	9
SECTION 4.14.	Compensation	10
SECTION 4.15.	Interested Directors; Quorum	10
ARTICLE V	SHARES AND TRANSFERS OF SHARES	10
SECTION 5.01.	Certificates Evidencing Shares	10
SECTION 5.02.	Stock Ledger	11
SECTION 5.03.	Transfers of Shares	11
SECTION 5.04.	Addresses of Stockholders	11
SECTION 5.05.	Lost, Destroyed and Mutilated Certificates	11
SECTION 5.06.	Regulation	11
SECTION 5.07.	Fixing Date for Determination of Stockholders of Record	11
ARTICLE VI	SEAL	12
SECTION 6.01.	Seal	12
ARTICLE VII	FISCAL YEAR	12
SECTION 7.01.	Fiscal Year	12
ARTICLE VIII	VOTING OF SHARES IN OTHER CORPORATIONS	12
SECTION 8.01.	Voting of Shares in Other Corporations	12
ARTICLE IX	INDEMNIFICATION AND INSURANCE	12
SECTION 9.01.	Indemnification	12
SECTION 9.02.	Insurance for Indemnification	15
ARTICLE X	AMENDMENTS	15
SECTION 10.01.	Amendments	15

</TABLE>

ii

BY-LAWS

OF

CHENIERE ENERGY, INC.

ARTICLE I

OFFICES

SECTION 1.01. Registered Office. Unless and until otherwise determined by the Board of Directors of Cheniere Energy, Inc. (the "Corporation"), the registered office of the Corporation in the State of Delaware shall be at the office of Corporation Service Company, 1013 Centre Road, City of Wilmington 19805, County of New Castle and the registered agent in charge thereof shall be Corporation Service Company.

SECTION 1.02. Other Offices. The Corporation may also have an office or offices at any other place or places within or without the State of Delaware as the Board of Directors of the Corporation (the "Board") may from time to time determine or the business of the Corporation may from time to time require.

ARTICLE II

MEETING OF STOCKHOLDERS

SECTION 2.01. Annual Meetings. The annual meeting of stockholders of the Corporation for the election of directors of the Corporation ("Directors") and for the transaction of such other business as may properly come before such meeting, shall be held at such place, date and time as shall be fixed by the Board and designated in the notice or waiver of notice of such annual meeting; provided, however, that no annual meeting of stockholders need be held if all actions, including the election of Directors, required by the General Corporation Law of the State of Delaware (the "General Corporation Law") to be taken at such annual meeting are taken by written consent in lieu of meeting pursuant to Section 2.09 hereof.

SECTION 2.02. Special Meetings. Special meetings of stockholders for any purpose or purposes may be called by the Board or the Chairman of the Board, the Vice-Chairman, the President or the Secretary of the Corporation or by the recordholders of at least a majority of the shares of common stock of the Corporation issued and outstanding ("Shares") and entitled to vote thereat, to be held at such place, date and time as shall be designated in the notice or waiver of notice thereof.

SECTION 2.03. Notice of Meetings. (a) Except as otherwise provided by law, written notice of each annual or special meeting of stockholders stating the place,

date and time of such meeting and, in the case of a special meeting, the purpose or purposes for which such meeting is to be held, shall be given personally or by first-class mail (airmail in the case of international communications) to each recordholder of Shares (a "Stockholder") entitled to vote thereat, not less than 10 nor more than 60 days before the date of such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the Stockholder at such Stockholder's address as it appears on the records of the Corporation. If, prior to the time of transmittal of notice, the Secretary of the Corporation (the "Secretary") shall have received from any Stockholder a written request that notices intended for such Stockholder are to be transmitted to some address other than the address that appears on the records of the Corporation, notices intended for such Stockholder shall be transmitted to the address designated in such request.

(b) Notice of a special meeting of Stockholders may be given by the person or persons calling the meeting, or, upon the written request of such person or persons, such notice shall be given by the Secretary on behalf of such person or persons. If the person or persons calling a special meeting of Stockholders give notice thereof, such person or persons shall deliver a copy of such notice to the Secretary. Each request to the Secretary for the giving of notice of a special meeting of Stockholders shall state the purpose or purposes of such meeting.

(c) Whenever notice is required to be given under any statute or the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation") or these Bylaws to any Stockholder to whom (1) notice of two consecutive annual meetings, and all notice of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings or (2) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve month period, have been mailed addressed to such person at his address as shown on the records of the Corporation and have been returned because undeliverable, the giving of notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the Corporation a written notice setting forth his then current address, the requirement that notice to such person shall have the same force and effect as if such notice be given to such person shall be reinstated. In the event that the action taken by the Corporation is such as to require the filing of a certificate under any of the other sections of the General Corporation Law, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this Section 2.03(c).

SECTION 2.04. Waiver of Notice. Notice of any annual or special meeting of Stockholders need not be given to any Stockholder who files a written waiver of notice with the Secretary, signed by the person entitled to notice, whether before or after such meeting. Neither the business to be transacted at, nor the purpose of, any meeting of Stockholders need be specified in any written waiver of notice thereof. Attendance of a Stockholder at a meeting, in person or by proxy, shall constitute a waiver

2

of notice of such meeting, except when such Stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the notice of such meeting was inadequate or improperly given.

SECTION 2.05. Adjournments. Any Stockholders' meeting, annual or special, whether or not a quorum (as defined in Section 2.06 hereinafter) is present, may be adjourned by vote of a majority of the shares present, either in person or by proxy. Whenever a meeting of Stockholders, annual or special, is adjourned to another date, time or place, notice need not be given of the adjourned meeting if the date, time and place thereof are announced at the meeting at which the adjournment is taken. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Stockholder entitled to vote thereat. At the adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

SECTION 2.06. Quorum. Except as otherwise provided by law or the Certificate of Incorporation, the recordholders of a majority of the Shares

entitled to vote thereat, present in person or by proxy, shall constitute a quorum for the transaction of business at all meetings of Stockholders, whether annual or special. If, however, such quorum shall not be present in person or by proxy at any meeting of Stockholders, the meeting may be adjourned from time to time in accordance with Section 2.05 hereof until a quorum shall be present in person or by proxy. On all questions, the Stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by a number of shares which would otherwise constitute a majority of a quorum.

SECTION 2.07. Voting. Each Stockholder shall be entitled to one vote for each Share held of record by such Stockholder. Except as otherwise provided by law or the Certificate of Incorporation, when a quorum is present at any meeting of Stockholders, the vote of the recordholders of a majority of the Shares constituting such quorum shall decide any question brought before such meeting.

SECTION 2.08. Proxies. Each Stockholder entitled to vote at a meeting of Stockholders or to express, in writing, consent to or dissent from any action of Stockholders without a meeting may authorize another person or persons to act for such Stockholder by proxy. Such proxy shall be filed with the Secretary before such meeting of Stockholders or such action of Stockholders without a meeting, at such time as the Board may require. No proxy shall be voted or acted upon more than three years from its date, unless the proxy provides for a longer period.

SECTION 2.09. Stockholders' Consent in Lieu of Meeting. Except as may otherwise be provided by law or in the Certificate of Incorporation, any action required by the General Corporation Law to be taken at any annual or special meeting of Stockholders, and any action which may be taken at any annual or special meeting of

3

Stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the recordholders of Shares having not less than the minimum number of votes necessary to authorize or take such action at a meeting at which the recordholders of all Shares entitled to vote thereon were present and voted.

ARTICLE III

BOARD OF DIRECTORS

SECTION 3.01. General Powers. Except as may otherwise be provided by law or in the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law, the Certificate of Incorporation or these By-laws directed or required to be exercised or done by Stockholders.

SECTION 3.02. Number and Term of Office. The number of Directors shall be four or such other number as shall be fixed from time to time by the Board. Directors need not be Stockholders. Directors shall be elected at the annual meeting of Stockholders or, if, in accordance with Section 2.01 hereof, no such annual meeting is held, by written consent in lieu of meeting pursuant to Section 2.09 hereof, and each Director shall hold office until his successor is elected and qualified, or until his earlier death or resignation or removal in the manner hereinafter provided.

SECTION 3.03. Resignation. Any Director may resign at any time by giving written notice to the Board, the Chairman of the Board of the Corporation (the "Chairman") or the Secretary. Such resignation shall take effect at the time specified in such notice or, if the time be not specified, upon receipt thereof by the Board, the Chairman or the Secretary, as the case may be. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.04. Removal. Any or all of the Directors may be removed, with or without cause, at any time by vote of the recordholders of a majority of the Shares then entitled to vote at an election of Directors, or by written consent of the recordholders of Shares pursuant to Section 2.09 hereof.

SECTION 3.05. Vacancies. Vacancies occurring on the Board as a result of the removal of Directors without cause may be filled only by vote of the recordholders of a majority of the Shares then entitled to vote at an election of Directors, or by written consent of such recordholders pursuant to Section 2.09 hereof. Vacancies occurring on the Board for any other reason, including, without limitation, vacancies occurring as a result of the creation of new directorships that increase the number of Directors, may be filled by such vote or written consent or by vote of the Board or by written consent of the Directors pursuant to Section 3.08 hereof. If the number of Directors then

is less than a quorum, such other vacancies may be filled by vote of a majority of the Directors then in office or by written consent of all such Directors pursuant to Section 3.08 hereof. Unless earlier removed pursuant to Section 3.04 hereof, each Director chosen in accordance with this Section 3.05 shall hold office until the next annual election of Directors by the Stockholders and until his successor shall be elected and qualified.

SECTION 3.06. Meetings. (a) Annual Meetings. As soon as practicable after each annual election of Directors by the Stockholders, the Board shall meet for the purpose of organization and the transaction of other business, unless it shall have transacted all such business by written consent pursuant to Section 3.08 hereof.

(b) Other Meetings. Other meetings of the Board shall be held at such times as the Chairman, the Vice-Chairman, the President of the Corporation (the "President"), the Secretary or a majority of the Board shall from time to time determine.

(c) Notice of Meetings. The Secretary shall give written notice to each Director of each meeting of the Board, which notice shall state the place, date, time and purpose of such meeting. Notice of each such meeting shall be given to each Director, if by mail, addressed to him at his residence or usual place of business, at least five days before the day on which such meeting is to be held, or shall be sent to him at such place by telecopy, telegraph, cable, or other form of recorded communication, or be delivered personally or by telephone not later than the day before the day on which such meeting is to be held. A written waiver of notice, signed by the Director entitled to notice, whether before or after the time of the meeting referred to in such waiver, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of any meeting of the Board need be specified in any written waiver of notice thereof. Attendance of a Director at a meeting of the Board shall constitute a waiver of notice of such meeting, except as provided by law.

(d) Place of Meetings. The Board may hold its meetings at such place or places within or without the State of Delaware as the Board or the Chairman may from time to time determine, or as shall be designated in the respective notices or waivers of notice of such meetings.

(e) Quorum and Manner of Acting. A majority of the total number of Directors then in office shall be present in person at any meeting of the Board in order to constitute a quorum for the transaction of business at such meeting, and the vote of a majority of those Directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board, except as otherwise expressly required by law, the Certificate of Incorporation or these By-laws. In the absence of a quorum for any such meeting, a majority of the Directors present thereat may adjourn such meeting from time to time until a quorum shall be present.

(f) Organization. At each meeting of the Board, one of the following shall act as chairman of the meeting and preside, in the following order of precedence:

- (i) the Chairman, if any;
- (ii) the Vice Chairman, if any,
- (iii) the President;
- (iv) any Director chosen by a majority of the Directors present.

The Secretary or, in the case of his absence, any person (who shall be an Assistant Secretary, if an Assistant Secretary is present) whom the chairman of the meeting shall appoint shall act as secretary of such meeting and keep the minutes thereof.

SECTION 3.07. Committees of the Board. The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more Directors. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another Director to act at the meeting in the place of any such absent or disqualified member. Any committee of the Board, to the extent provided in the resolution of the Board designating such committee, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that no such committee shall have such power of

authority in reference to amending the Certificate of Incorporation (except that such a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board as provided in Section 151(a) of the General Corporation Law, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes of stock of the Corporation or fix the number of shares of any series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation under Section 251 or 252 of the General Corporation Law, recommending to the Stockholders the sale, lease or exchange of all or substantially all the Corporation's property and assets, recommending to the Stockholders a dissolution of the Corporation or the revocation of a dissolution, or amending these By-laws; provided further, however, that, unless expressly so provided in the resolution of the Board designating such committee, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law. Each committee of the Board shall keep regular minutes of its proceedings and report the same to the Board when so requested by the Board.

6

SECTION 3.08. Directors' Consent in Lieu of Meeting. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all the members of the Board or such committee and such consent is filed with the minutes of the proceedings of the Board or such committee.

SECTION 3.09. Action by Means of Telephone or Similar Communications Equipment. Any one or more members of the Board, or of any committee thereof, may participate in a meeting of the Board or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

SECTION 3.10. Compensation. Directors shall not receive any stated salary for their services as directors or as members of committees, except as fixed or determined by resolution of the Board of Directors. No such compensation or reimbursement shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

OFFICERS

SECTION 4.01. Officers. The officers of the Corporation shall be the President, the Secretary and a Treasurer and may include a Chairman, a Vice-Chairman, one or more Vice Presidents (including, one or more Executive and/or Senior Vice Presidents), one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers as the Board may determine. Any two or more offices may be held by the same person.

SECTION 4.02. Authority and Duties. All officers shall have such authority and perform such duties in the management of the Corporation as may be provided in these By-laws or, to the extent not so provided, by resolution of the Board.

SECTION 4.03. Term of Office, Resignation and Removal. (a) Each officer, except such officers as may be appointed in accordance with the provision of Section 4.04 or Section 4.05, shall be appointed by the Board and shall hold office for such term as may be determined by the Board. Each officer shall hold office until his successor has been appointed and qualified or his earlier death or resignation or removal in the manner hereinafter provided. The Board may require any officer to give security for the faithful performance of his duties.

7

(b) Any officer may resign at any time by giving written notice to the Board, the Chairman, the President or the Secretary. Such resignation shall take effect at the time specified in such notice or, if the time be not specified, upon receipt thereof by the Board, the Chairman, the President or the Secretary, as the case may be. Unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

(c) All officers and agents appointed by the Board shall be subject to removal, with or without cause, at any time by the Board or by any officer upon whom such power of removal may be conferred by the Board.

SECTION 4.04. Subordinate Officers. The Board may empower the President to appoint such other officers as the business of the Corporation may

require, each of whom shall hold the office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board or President may from time to time determine.

SECTION 4.05. Vacancies. Any vacancy occurring in any office of the Corporation, for any reason, shall be filled by action of the Board. Unless earlier removed pursuant to Section 4.03 hereof, any officer appointed by the Board to fill any such vacancy shall serve only until such time as the unexpired term of his predecessor expires unless reappointed by the Board.

SECTION 4.06. The Chairman. The Chairman, if one shall be appointed, shall have the power to call special meetings of Stockholders, to call special meetings of the Board and, if present, to preside at all meetings of Stockholders and all meetings of the Board. The Chairman shall perform all duties incident to the office of Chairman of the Board and all such other duties as may from time to time be assigned to him by the Board or these By-laws.

SECTION 4.07. The Vice-Chairman. The Vice-Chairman, if one shall be appointed, shall perform such duties as may from time to time be assigned to him by the Board or the Chairman, and in the absence or disability of the Chairman, shall perform the duties and exercise the powers of the Chairman.

SECTION 4.08. The President. The President shall have general and active management and control of the business and affairs of the Corporation, subject to the control of the Board, and shall see that all orders and resolutions of the Board are carried into effect. The President shall perform all duties incident to the office of President and all such other duties as may from time to time be assigned to him by the Board or these By-laws.

SECTION 4.09. Vice Presidents. Vice Presidents, if any, in order of their seniority or in any other order determined by the Board, shall generally assist the President and perform such other duties as the Board or the President shall prescribe, and

8

in the absence or disability of the President, shall perform the duties and exercise the powers of the President.

SECTION 4.10. The Secretary. The Secretary shall, to the extent practicable, attend all meetings of the Board and all meetings of Stockholders and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform the same duties for any committee of the Board when so requested by such committee. He shall give or cause to be given notice of all meetings of Stockholders and of the Board, shall perform such other duties as may be prescribed by the Board, the Chairman or the President and shall act under the supervision of the President. He shall keep in safe custody the seal of the Corporation and affix the same to any instrument that requires that the seal be affixed to it and which shall have been duly authorized for signature in the name of the Corporation and, when so affixed, the seal shall be attested by his signature or by the signature of the Treasurer of the Corporation (the "Treasurer") or an Assistant Secretary or Assistant Treasurer of the Corporation. He shall keep in safe custody the certificate books and stockholder records and such other books and records of the Corporation as the Board, the Chairman or the President may direct and shall perform all other duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board, the Chairman or the President.

SECTION 4.11. Assistant Secretaries. Assistant Secretaries of the Corporation ("Assistant Secretaries"), if any, in order of their seniority or in any other order determined by the Board, shall generally assist the Secretary and perform such other duties as the Board or the Secretary shall prescribe, and, in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary.

SECTION 4.12. The Treasurer. The Treasurer shall have the care and custody of all the funds of the Corporation and shall deposit such funds in such banks or other depositories as the Board, or any officer or officers, or any officer and agent jointly, duly authorized by the Board, shall, from time to time, direct or approve. He shall disburse the funds of the Corporation under the direction of the Board and the President. He shall keep a full and accurate account of all moneys received and paid on account of the Corporation and shall render a statement of his accounts whenever the Board, the Chairman or the President shall so request. He shall perform all other necessary actions and duties in connection with the administration of the financial affairs of the Corporation and shall generally perform all the duties usually appertaining to the office of treasurer of a corporation. When required by the Board, he shall give bonds for the faithful discharge of his duties in such sums and with such sureties as the Board shall approve.

SECTION 4.13. Assistant Treasurers. Assistant Treasurers of the Corporation ("Assistant Treasurers"), if any, in order of their seniority or in any other order determined by the Board, shall generally assist the Treasurer and perform such other duties as the Board or the Treasurer shall prescribe,

and, in the absence or disability of the Treasurer, shall perform the duties and exercise the powers of the Treasurer.

9

SECTION 4.14. Compensation. The compensation of the officers of the Corporation shall be fixed by the Board.

SECTION 4.15. Interested Directors; Quorum. (a) No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or Committee thereof which authorizes the contract or transaction, or solely because the votes of one or more of such directors or officers are counted for such purpose, if:

(1) The material facts as to that person's relationship or interest and as to the contract or transaction are disclosed or are known to the Board or the Committee, and the Board or Committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(2) The material facts as to that person's relationship or interest and as to the contract or transaction are disclosed or are known to the Stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or

(3) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a Committee thereof, or the shareholders.

(b) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a Committee which authorizes the contract or transaction.

ARTICLE V

SHARES AND TRANSFERS OF SHARES

SECTION 5.01. Certificates Evidencing Shares. Shares shall be evidenced by certificates in such form or forms as shall be approved by the Board. Certificates shall be issued in consecutive order and shall be numbered in the order of their issue, and shall be signed by the Chairman, the President or any Vice President and by the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer. Any or all of the signatures on a Certificate may be a facsimile. In the event any such officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to hold such office or to be employed by the Corporation before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such officer had held such office on the date of issue.

10

SECTION 5.02. Stock Ledger. A stock ledger in one or more counterparts shall be kept by the Secretary, in which shall be recorded the name and address of each person, firm or corporation owning the Shares evidenced by each certificate evidencing Shares issued by the Corporation, the number of Shares evidenced by each such certificate, the date of issuance thereof and, in the case of cancellation, the date of cancellation. Except as otherwise expressly required by law, the person in whose name Shares stand on the stock ledger of the Corporation shall be deemed the owner and recordholder thereof for all purposes.

SECTION 5.03. Transfers of Shares. Registration of transfers of Shares shall be made only in the stock ledger of the Corporation upon request of the registered holder of such shares, or of his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary, and upon the surrender of the certificate or certificates evidencing such Shares properly endorsed or accompanied by a stock power duly executed, together with such proof of the authenticity of signatures as the Corporation may reasonably require.

SECTION 5.04. Addresses of Stockholders. Each Stockholder shall designate to the Secretary an address at which notices of meetings and all other corporate notices may be served or mailed to such Stockholder, and, if any Stockholder shall fail to so designate such an address, corporate notices may be served upon such Stockholder by mail directed to the mailing address, if any, as the same appears in the stock ledger of the Corporation or at the last known mailing address of such Stockholder.

SECTION 5.05. Lost, Destroyed and Mutilated Certificates. Each recordholder of Shares shall promptly notify the Corporation of any loss,

destruction or mutilation of any certificate or certificates evidencing any Share or Shares of which he is the recordholder. The Board may, in its discretion, cause the Corporation to issue a new certificate in place of any certificate theretofore issued by it and alleged to have been mutilated, lost, stolen or destroyed, upon the surrender of the mutilated certificate or, in the case of loss, theft or destruction of the certificate, upon satisfactory proof of such loss, theft or destruction, and the Board may, in its discretion, require the recordholder of the Shares evidenced by the lost, stolen or destroyed certificate or his legal representative to give the Corporation a bond sufficient to indemnify the Corporation against any claim made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 5.06. Regulations. The Board may make such other rules and regulations as it may deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of certificates evidencing Shares.

SECTION 5.07. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the Stockholders entitled to notice of or to vote at any meeting of Stockholders or any adjustment thereof, or to express consent to, or to dissent from, corporate action in writing without a meeting, or entitled to receive

11

payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other such action. A determination of the Stockholders entitled to notice of or to vote at a meeting of Stockholders shall apply to any judgment of such meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

ARTICLE VI

SEAL

SECTION 6.01. Seal. The Board may approve and adopt a corporate seal, which shall be in the form of a circle and shall bear the full name of the Corporation, the year of its incorporation and the words "Corporate Seal Delaware".

ARTICLE VII

FISCAL YEAR

SECTION 7.01. Fiscal Year. The fiscal year of the Corporation shall end on the thirty-first day of August of each year unless changed by resolution of the Board.

ARTICLE VIII

VOTING OF SHARES IN OTHER CORPORATIONS

SECTION 8.01. Voting of Shares in Other Corporations. Shares in other corporations which are held by the Corporation may be represented and voted by the Chairman, President or a Vice President of the Corporation or by proxy or proxies appointed by one of them. The Board may however, appoint some other person to vote the shares.

ARTICLE IX

INDEMNIFICATION AND INSURANCE

SECTION 9.01. Indemnification. (a) The Corporation shall 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

12

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, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), 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. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which 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 reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall 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 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, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit 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 except that no indemnification shall 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 of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 9.01(a) and (b) of these By-laws, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under Section 9.01(a) and (b) of these By-laws (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 9.01(a) and (b) of these By-laws. Such determination shall be made (i) by the Board by a majority vote of a quorum consisting of directors who

13

were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders of the Corporation.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation pursuant to this Article IX. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, other Sections of this Article IX shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office.

(g) For purposes of this Article IX, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article IX with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(h) For purposes of this Article IX, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation"

shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves service by, such director, officer, employee or agent with respect to any employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article IX.

14

(i) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article IX shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrator of such a person.

SECTION 9.02. Insurance for Indemnification. The Corporation may purchase and maintain insurance on behalf of any person who 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, partnership, joint venture, trust or other enterprise, against any liability asserted against him and 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 liability under the provisions of Section 145 of the General Corporation Law.

ARTICLE X

AMENDMENTS

SECTION 10.01. Amendments. Unless otherwise provided in the Certificate of Incorporation, any By-law (including these By-laws) may be adopted, amended or repealed by the vote of the recordholders of a majority of the Shares then entitled to vote at an election of Directors or by written consent of Stockholders pursuant to Section 2.09 hereof, or by vote of the Board or by a written consent of Directors pursuant to Section 3.08 hereof.

15

[LETTERHEAD OF DEWEY BALLANTINE]

September 13, 1996

Cheniere Energy, Inc.
Two Allen Center
1200 Street, Suite 1710
Houston, Texas 77002-4312

Ladies and Gentlemen:

We have acted as counsel to Cheniere Energy, Inc., a Delaware corporation (the "Company"), in connection with the Company's preparation and filing of a Registration Statement on Form S-1 under the Securities Act of 1933, as amended (the "Act"), and Amendment No. 1 thereto (collectively, the "Registration Statement"), for the registration of the resale of 2,844,211 shares of issued and outstanding common stock of the Company, par value \$0.003 per share (the "Common Stock").

In connection with this opinion, we have examined originals or copies (including facsimile copies) of such agreements, documents, records and instruments as we have deemed appropriate for the purposes of rendering this opinion. As to factual matters, we have relied solely upon, and assumed the accuracy, completeness and genuineness of, certificates of officers of the Company, certificates of public officials, and oral and written representations made to us by officers and other representatives of the Company. We have made no independent investigation of any of the facts stated in any such certificate or representation. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, photostatic or facsimile copies and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the assumptions, qualifications and limitations set forth herein, we are of the opinion as of the date hereof that:

1. The Company is a corporation duly organized and validly existing under the laws of the State of Delaware.
2. The shares of the Common Stock to be registered pursuant to the Registration Statement have been duly authorized by the Company, and are validly issued, fully paid and nonassessable.

We are members of the bar of the State of New York and we express no opinion as to matters governed by the laws of any other jurisdiction other than the federal laws of the United States of America and the Delaware General Corporation Law.

We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement and to the reference to our name in the prospectus constituting a part of such Registration Statement under the heading "Legal Matters." In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Very truly yours,

DEWEY BALLANTINE