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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED AUGUST 31, 1996

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
COMMISSION FILE NO. 2-63115

CHENIERE ENERGY, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	95-4352386
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
1200 SMITH ST. SUITE 1710 HOUSTON, TEXAS (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	77002-4312 (ZIP CODE)

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

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, $0.03 PAR VALUE
(TITLE OF CLASS)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $19,446,458 as of November 22, 1996.

10,624,794 shares of the registrant's Common Stock were outstanding as of November 22, 1996.

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CHENIERE ENERGY, INC.

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PART 1

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

THE COMPANY

Cheniere Energy, Inc. ("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"). Pursuant to the terms of the Reorganization Agreement, (i) Bexy transferred its existing assets and liabilities to Mars Ventures, Inc. ("Mars Ventures"), a newly created, wholly owned subsidiary of Bexy; (ii) the shareholders of Cheniere Operating transferred all the issued and outstanding capital stock of Cheniere Operating to Bexy in exchange for approximately 8.3 million newly issued shares of Bexy common stock; (iii) Bexy distributed all the issued and outstanding capital stock of Mars Ventures to the Original Bexy Stockholders; and (iv) Bexy changed its name to Cheniere Energy, Inc. Immediately following the reorganization, the former shareholders of Cheniere Operating held 93 percent of the issued and outstanding stock of Cheniere, and the Original Bexy Stockholders held the remaining seven percent of the outstanding capital stock of Cheniere.

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 10,624,794 shares outstanding as of November 22, 1996. The Company has applied for a Nasdaq SmallCap Market listing.

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.

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 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 that crosses the coastline 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"). Currently, the 3-D Joint Venture has permits and similar rights to survey approximately 84% (210 square miles) of the Survey AMI and is attempting to acquire rights to survey additional portions of the Survey AMI. Accordingly, 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. 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 the 3-D Joint Venture has begun to conduct the Survey.

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 production of the reserves will 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 increase the net value of its assets per share 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 facilitates the timely development of oil and gas discoveries at relatively attractive capital costs compared to those in some other geographic regions. The Company's officers and the Zydeco staff 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 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 that crosses the coastline 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, approximately 23,000 acres of Federal OCS Waters and certain privately held areas onshore which together constitute approximately 84% (210 square miles) 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 3-D Joint Venture has begun to conduct the Survey.

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: costs paid to third parties for acquiring and processing seismic data; turnkey contracts; legal costs; options to lease land and leases of land; 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).

Pursuant to the Second Amendment to the Exploration Agreement dated August 5, 1996, Cheniere Operating was required to make the payments due on June 30, 1996 and July 30, 1996 on August 5, 1996 and October 31, 1996, respectively. Such payments have been timely made. At August 31, 1996, Cheniere Operating had paid $4 million to the Joint Venture Account, and subsequently advanced

payments of $1 million each on September 4, 1996 and October 31, 1996. Total such payments for Seismic Costs at October 31, 1996 were $6 million. Effective October 31, 1996, the Company and Zydeco amended the Cheniere Agreement (Third Amendment to the Exploration Agreement dated October 31, 1996) to delay the timing of the remaining payments required to be paid consistent with Zydeco's current expectations of the timing of costs to be incurred on the project. The remaining payments are due on the last days of November 1996, and January, February and March of 1997. A failure by Cheniere to make the November payment on such date will be treated as a Discontinuance (as defined below). Each of the payments is required to be in the amount of $2 million, with the exception of the final payment due at the end of March 1997, which is required to be in the amount of $1.5 million. Cheniere intends to make its future payments under the amended Exploration Agreement, however, the Company does not have sufficient capital to cover such payments and there can be no assurance that the Company will 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 $6 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 22.2%;

(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 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. Importantly, 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.

Immediately to the south of the Survey Area, a successful industry drilling program based partly on a speculative 3-D survey provides an analogy that illustrates the remaining potential for new discoveries in an area already densely shot with 2-D seismic, and the contribution which new 3-D seismic can make. 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 3 new field discoveries. Together with another discovery made

coincident with the 3-D survey, these four new fields have produced approximately 320 bcfe 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 bcfe of natural gas to date, 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", dated February 19, 1996) 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 up to 2 miles into Federal waters. Zydeco's seismic contractor, Grant Geophysical, Inc., has received approval from the U.S. Government to survey over approximately 23,000 acres of Federal offshore lands 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 two years 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 over 54,000 acres 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 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, in 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 19, 1998 by payment of an additional fee of $391,876.80, Zydeco presently plans to adhere to the schedule summarized below:

2nd Quarter 1996-1st Quarter 1997 --Onshore Permitting and Lease Optioning

3rd Quarter 1996-2nd Quarter 1997 --Conduct Seismic Survey and Simultaneously Begin Processing & Interpretation of Data Received

2nd Quarter 1997-3rd Quarter 1997 --Continue Survey, Processing & Interpretation, and Identify Prospects

4th Quarter 1997 --Nominate and Bid State Leases, Exercise Lease Options Onshore; Propose, Contract for Drilling, and Commence Drilling of First 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 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.

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 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.

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.

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.

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.

ITEM 3. LEGAL PROCEEDINGS

The Company is not involved in any litigation.

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

None.

PART 2

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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 equaling approximately 93% of the then issued and outstanding shares of Bexy causing the existing stockholders of Bexy to be diluted to approximately 7%. On July 8, 1996, the Common Stock began trading on the Bulletin Board (ticker symbol "CHEX"). As the nature of the business and the Common Stock has changed as a result of the Reorganization, this section describes the market price of the Common Stock following the Reorganization on July 3, 1996.

The high ask and low bid prices of the Common Stock reported on the Bulletin Board for the period from July 8, 1996 through August 7, 1996 were $6.00 and $3.00, respectively. The corresponding high and low prices for the period from August 8, 1996 through November 22, 1996 were $3.875 and $2.125. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not reflect actual transactions.

As of September 27, 1996 there were 766 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.

ITEM 6. 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 Energy, Inc. and Subsidiary as of August 31, 1996 and for the year then ended have been audited

by Merdinger, Fruchter, Rosen & Corso, P.C. 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.

	SEPTEMBER 1, 1995 TO AUGUST 31, 1996
Net operating revenues	$ --
(Loss) from continuing operations	(79,097)
(Loss) from continuing operations per share of common stock	(0.008)
(Loss) from discontinued operations	(207,722)
Net (loss) per share of common stock	(0.03)
Total Assets	5,145,310
Long-term obligations	--
Total Liabilities	718,855
Total Shareholders' Equity	4,426,455
Cash dividends declared per share of common stock	--

ITEM 7. 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 of approximately $224,000 and its liabilities of approximately $111,000 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. Bexy then changed its name to Cheniere Energy, Inc. 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 YEAR ENDED AUGUST 31, 1996

The Company's operating results reflected a loss of $79,097, as there were no revenues from continuing operations. General and Administrative expenses of $73,814 comprised most of the loss.

The Company incurred one time losses of $207,722 from the discontinuance of its former business in the television production and health information field. Total losses were $286,819.

The Company's balance sheet reflected current assets of $1,097,980 with liabilities of $718,855. Other assets reflect an investment of $4 million in the 3-D Joint Venture. After fiscal year end, in early September 1996, and in late October 1996, the Company made an additional payments of $1 million each to the 3-D Joint Venture, such that an aggregate of $6 million has been paid by the Company to the 3-D Joint Venture to date.

The Company's capital reflects sales of shares net of offering expenses of $609,451 and distribution of net assets of $112,902.

LIQUIDITY AND CAPITAL RESOURCES

At August 31, 1996, the Company had working capital of $379,125. Operating expenses and capitalized costs were financed by the sale of common stock and Bridge Loan (as defined below) 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 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 the majority of 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.

Between fiscal year end at August 31, 1996 and October 31, 1996, the Company raised $1,237,500 net proceeds from the sale of 588,027 shares of Common Stock to accredited investors pursuant to Regulation D and certain other investors pursuant to Regulation S. Proceeds received through October 31, 1996 were used to fund a $1 million payment to the 3-D Joint Venture on that date.

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 were due on September 14, 1996. 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. The Company has satisfied all of its obligations under Notes in the aggregate principal amount of $210,000 by paying the accrued interest on such Notes and by agreeing to issue 105,000 shares of the Common Stock at a price of $2.00 per share to the holders of such Notes pursuant to Regulation D. In addition, prior to the maturity of the Notes, an individual Noteholder (the "Remaining Noteholder") purchased several outstanding Notes following which such Noteholder held Notes in the aggregate principal amount of $215,000. In connection with a modification of the Bridge Loan arrangements as between the Remaining Noteholder and the Company, Cheniere Operating has issued a new promissory note to the Remaining Noteholder with an interest rate of 13% per annum in exchange for the Notes held by him. Such new promissory note is due on January 14, 1997. The Remaining Noteholder is also entitled to receive up to 21,500 additional warrants to purchase shares of the Common Stock for each month, or partial month, any amounts remain due and payable after September 14, 1996, up to a maximum aggregate number of 86,000 such additional warrants. Such additional warrants will have an exercise price of $3.00 per share and will be exercisable for 3 years from the date of issuance.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

CONTENTS

CHENIERE ENERGY, INC. AND SUBSIDIARY

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of CHENIERE ENERGY, INC. AND SUBSIDIARY as of August 31, 1996 and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CHENIERE ENERGY, INC. AND SUBSIDIARY as of August 31, 1996 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

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

New York, New York
September 16, 1996

CHENIERE ENERGY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

AUGUST 31, 1996

<TABLE>
<CAPTION>

ASSETS

<S>	<C>
CURRENT ASSETS	
Cash	$ 1,093,180
Prepaid Expenses	4,800
TOTAL CURRENT ASSETS	1,097,980
PROPERTY AND EQUIPMENT, NET	46,830
OTHER ASSETS	
Investment	4,000,000
Security Deposit	500
TOTAL OTHER ASSETS	4,000,500
TOTAL ASSETS	$ 5,145,310

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY

<S>	<C>
CURRENT LIABILITIES	
Accounts Payable	$ 275,975
Accrued Expenses and Taxes Payable	16,929
Loans Payable	425,000
Advance from Officers	961

TOTAL LIABILITIES	718,855
STOCKHOLDERS' EQUITY	
Common Stock--$.003 Par Value Authorized 20,000,000 shares; 9,931,767 Issued and Outstanding	29,795
Preferred Stock--Authorized 1,000,000 shares; None Issued and Outstanding	--
Additional Paid-in-Capital	5,626,840
Retained Deficit	(1,230,180)
TOTAL STOCKHOLDERS' EQUITY	4,426,455
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,145,310

</TABLE>

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

CHENIERE ENERGY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 1996

<TABLE>

Revenue	$ --
General and Administrative Expenses	73,814
Interest Expense	7,083
Loss from Operations Before Other Income	(80,897)
Interest Income	1,800
Loss From Continuing Operations Before Income Taxes	(79,097)
Provision for Income Taxes	--
Loss From Continuing Operations	(79,097)
Discontinued Operations	
Loss from operations of discontinued business (less applicable income taxes of $0)	(149,080)
Loss on disposal of business (less applicable income taxes of $0)	(58,642)
Loss From Discontinued Operations	(207,722)
Net Loss	$(286,819)
Loss Per Share	$ (.03)

</TABLE>

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

CHENIERE ENERGY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED AUGUST 31, 1996

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN	RETAINED	NOTES RECEIVABLE	TOTAL STOCKHOLDERS'
	SHARES	AMOUNT	CAPITAL	DEFICIT	STOCKHOLDERS	EQUITY
Balance--September 1, 1995	1,558,947	$133,654	$ 992,831	$ (943,361)	$(46,674)	$ 136,450
Sales of Shares--Prior to Reorganization	244,512	13,750	123,750	--	--	137,500
Exchange of Shares--Due to Reverse Split	(1,202,514)	(145,601)	145,601	--	--	--
Sale of Shares--At Time of and Subsequent to the Reorganization	9,330,822	27,992	5,087,011	--	--	5,115,003
Expenses Related to Offering	--	--	(609,451)	--	--	(609,451)
Repayment of Receivable	--	--	--	--	16,439	16,439
Distribution of Net						

Assets.....	--	--	(112,902)	--	30,235	(82,667)
Net Loss.....	--	--	--	(286,819)	--	(286,819)
Balance--August 31, 1996.....	9,931,767	$ 29,795	$5,626,840	$(1,230,180)	$ --	$4,426,455

The accompanying notes are an integral part of this report.

CHENIERE ENERGY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Loss	$ (286,819)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	4,503
(Increase) in Accounts Receivable	(5,600)
(Increase) in Prepaid Expenses	(4,800)
Decrease in Inventory	2,700
(Increase) in Security Deposit	(500)
Decrease in Other Assets	2,122
Increase in Accounts Payable	279,514
(Decrease) in Accrued Expenses and Taxes Payable	11,949
Increase in Advance from Officers	961
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,030
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Furniture, Fixtures and Equipment	(50,999)
Investment	(4,000,000)
NET CASH USED BY INVESTING ACTIVITIES	(4,050,999)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Sale of Common Stock	5,252,503
Offering Costs	(609,451)
Proceeds of Loan	425,000
Notes Receivable	16,439
Notes Payable	(7,519)
Distribution	(50,957)
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,026,015
NET INCREASE IN CASH	979,046
CASH--BEGINNING OF PERIOD	114,134
CASH--AUGUST 31, 1996	$1,093,180

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

CHENIERE ENERGY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 1996

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for interest	$ --
Cash paid for income taxes	$ --
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:	

During the year, the Company distributed the assets and liabilities of its discontinued operations. The net noncash distribution was $61,945.

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

NOTE 1--NATURE OF OPERATIONS

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.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Cheniere Energy, Inc. and its 100% owned subsidiary, Cheniere Energy Operating Co., Inc. Accordingly, all references herein to Cheniere Energy, Inc. or the "Company" include the consolidated results of its subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Property and Equipment

Property and equipment are recorded at cost. Repairs and maintenance costs are charged to operations as incurred. Depreciation is computed using the straight line method calculated to amortize the cost of assets over their estimated useful lives, generally seven years. Upon retirement or other disposition of property and equipment the cost and related depreciation will be removed from the accounts and the resulting gains or losses recorded.

Concentration of Credit Risk

The Company places its cash in what it believes to be credit-worthy financial institutions. However, cash balances exceed FDIC insured levels at various times during the year.

Cash Equivalents

The Company classifies all investments with original maturities of three months or less as cash equivalents.

Income Taxes

Income taxes are provided for based on the liability method of accounting pursuant to Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3--PROPERTY AND EQUIPMENT

Property and equipment at August 31, 1996 consist of the following:

<TABLE>

<S>	<C>
Furniture and Fixtures	$26,006
Office Equipment	24,427
	50,433
</TABLE>

Less Accumulated Depreciation	3,603
Property and Equipment--Net	$46,830

</TABLE>

NOTE 4--REORGANIZATION

On July 3, 1996 Cheniere Operating consummated the transactions (the "Reorganization") contemplated in the Agreement and Plan or 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.

NOTE 5--INVESTMENT IN JOINT VENTURE

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, nor that it will be successful in acquiring farmouts, lease options (other than those already obtained), leases, or other rights to explore or recover oil and gas.

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. 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.

NOTE 6--NOTES PAYABLE

In June 1996, Cheniere Operating borrowed $425,000 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.

NOTE 7--INCOME TAXES

At August 31, 1996, the Company had net carryforward losses of approximately $1,020,000. A valuation allowance equal to the tax benefit for deferred taxes has been established due to the uncertainty of realizing the benefit of the tax carryforward.

Deferred tax assets and liabilities reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at August 31, 1996 are as follows:

<TABLE>

<S>	<C>
Deferred Tax Assets	
Loss Carryforwards	$ 347,000
Less: Valuation Allowance	(347,000)
Net Deferred Tax Assets	$ --

</TABLE>

Net operating loss carryforwards expire starting in 2006 through 2011. Per year availability is subject to change of ownership limitations under Internal Revenue Code Section 382.

NOTE 8--WARRANTS

The Company has issued and outstanding certain warrants described herein.

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.

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 warrants to purchase 13,600 and 54,400 shares of Common Stock, (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 Common Stock, 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 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, each such unit consisting of 5 shares of Common Stock and a warrant to purchase one share of 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.

NOTE 9--STOCK OPTIONS

The Company has granted certain options to purchase shares of Common Stock to 2 executives. Such options aggregate 300,000 shares at an exercise price of $3.00 per share. The options vest and are exercisable as follows:

1) 75,000 options vest and become exercisable on June 1, 1997 and expire June 1, 2001.

2) 75,000 options vest and become exercisable on June 1, 1998 and expire June 1, 2001.

3) 150,000 options vest and become exercisable in equal annual installments of 25% each on the first through fourth anniversary of July 16, 1996 and expire July 16, 2001.

In addition, the Company has granted options to the former President of the Company. The holder has the option to acquire 19,444 and 2/3 shares of Common Stock at an exercise price of $1.80 per share. The options expire November 11, 2003.

NOTE 10--COMMON STOCK RESERVED

The Company has reserved 322,166 and 2/3 share of Common Stock for insurance upon the exercise of outstanding warrants (See Note 8).

The Company has reserved 319,444 and 2/3 shares of Common Shares for insurance upon the exercise of outstanding options (See Note 9).

NOTE 11--DISCONTINUED OPERATIONS

As of March 1, 1996, the Company decided to discontinue its then present operations in the television productions and health information business. The assets and liabilities relating to the discontinued operations were distributed on July 3, 1996. No assets or liabilities from the discontinued operations are included in the consolidated balance sheet as of August 31, 1996.

Revenues, related losses and income tax benefit associated with the discontinued business are as follows:

For the period September 1, 1995 to February 29, 1996:

Revenue	$ 42,258
Loss From Operations (Net of Income Tax Benefit of $0)	$(149,080)
For the period March 1, 1996 to July 3, 1996:	
Revenue	$ 7,500
Loss on Disposal (Net of Income Tax Benefit of $0)	$ (58,642)

The Loss on Disposal consists of the loss from operations during the period of disposal.

NOTE 12--COMMITMENTS AND CONTINGENCIES

1) The Company subleases its Houston, Texas headquarters from Zydeco under a month-to-month sublease.

2) 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 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.

NOTE 13--SUBSEQUENT EVENTS

Effective as of September 14, 1996, certain of the note holders described in Note 6 converted their notes into common stock at a price of $2 per share. As a result, 105,000 shares were issued to retire $210,000 of notes.

In addition, an individual note holder has purchased the promissory notes of the remaining note holders. The holder thus holds notes totaling $215,000. As per the terms of the notes, the interest rate on these outstanding notes has increased to 13% per annum, effective September 14, 1996. The holder of the notes is also entitled to receive up to an aggregate of 21,500 additional warrants (as described in Note 6) for each month, or partial month, any amounts remain due and payable after September 14, 1996, up to a maximum aggregate number of 86,000 such additional warrants.

ITEM 9. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

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

<TABLE>
<CAPTION>

NAME	AGE	TITLE
<S>	<C>	<C>
William D. Forster.....	50	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, 50, 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.

ITEM 11. 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. In addition, Mr. Forster and Mr. Souki have not been reimbursed for any travel or entertainment expense incurred on behalf of Cheniere, nor has any such expense been accrued. 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. Directors receive no remuneration for serving on the board of directors of the Company.

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, which shares have not yet been issued. 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>

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERMS($)(1)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE	5% APPRECIATION($)	10% APPRECIATION($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
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.

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 8/31/96 (#) EXERCISABLE	UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 8/31/96 ($) EXERCISABLE	UNEXERCISABLE
William D. Forster.....	--	--	--	--
Walter L. Williams.....	--	150,000	--	37,500(1)
Keith F. Carney.....	--	150,000	--	37,500(1)

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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 at November 22, 1996; (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.

NAME OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING NUMBER	PERCENTAGE OF SHARES OUTSTANDING
William D. Forster.....	2,846,211(1)	26.8%
BSR Investments, Ltd.....	2,602,000	24.5%
Charif Souki.....	0(2)	--
Walter L. Williams.....	30,000(3)(4)	.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)	27.3%

- --------
(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.
(4) The 30,000 shares of the Common Stock held by Mr. Williams have been granted by the Company, but have not yet been issued.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

BSR Investments, Ltd. ("BSR"), an entity holding approximately 24.5% 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.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

a. Financial Statements and Supplementary Data, Financial Statement Schedules and Exhibits

2. Consolidated Financial Statement Schedules

All consolidated financial statement schedules have been omitted because they are not required, are not applicable or the information required has been included elsewhere herein.

3. Exhibits and Financial Statement Schedules

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	--Third Amendment to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Operating) and Zydeco Exploration, Inc.
10.5	--Form of Regulation D Subscription Agreement between Cheniere Operating and certain "accredited investors"
10.6	--Form of Noteholders' Agreement ("Noteholders Agreement") between Cheniere Operating and the holders of promissory notes in the aggregate principal amount of $425,000.00*
10.7	--Form of Warrant Agreement governing warrants of Cheniere issued in exchange for warrants of Cheniere Operating (which were issued pursuant to the Noteholders Agreement)*
10.8	--Asset Transfer, Assignment and Assumption Agreement between Bexy Communications, Inc. and Mars Ventures Inc.*
10.9	--Indemnification Agreement among Buddy Young, Cheniere, Cheniere Energy Operating Co., Inc. and the Stockholders of Cheniere Energy Operating Co., Inc. named therein*
10.10	--Form of Warrant Agreement between Cheniere and each of C.M. Blair, W.M. Forster & Co., Inc. and Redliw Corp.*
10.11	--Consulting 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.*

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* Filed previously.

SIGNATURES

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

CHENIERE ENERGY, INC.

By: /s/ William D. Forster
President and Chief Executive Officer

Date: November 26, 1996

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	
<C>	<S>
3.1	Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. ("Cheniere")*
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10.3 Second Amendment to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Operating) and Zydeco

10.4 Third Amendment to the Exploration Agreement to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Operating) and Zydeco Exploration, Inc.

10.5 Form of Regulation D Subscription Agreement between Cheniere Operating and certain "accredited investors"

10.6 Form of Noteholders' Agreement ("Noteholders Agreement 11) between Cheniere Operating and the holders of promissory notes in the aggregate principal amount of $425,000.00*

10.7 Form of Warrant Agreement governing warrants of Cheniere issued in exchange for warrants of Cheniere Operating (which were issued pursuant to the Noteholders Agreement")*

10.8 Asset Transfer, Assignment and Assumption Agreement between Bexy Communications, Inc. and Mars Ventures Inc.*

10.9 Indemnification Agreement among Buddy Young, Cheniere, Cheniere Energy Operating Co., Inc. and the Stockholders of Cheniere Energy Operating Co., Inc. named therein*

10.10 Form of Warrant Agreement between Cheniere and each of C.M. Blair, W.M. Forster & Co., Inc. and Redliw Corp.*

10.11 Consulting 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.*

_____

* Filed previously.

</TABLE>

Exhibit 10.4

[LETTERHEAD OF ZYDECO ENERGY, INC.]

October 31, 1996

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

RE: Third Amendment

Gentlemen:

I am writing with respect to that certain Exploration Agreement dated April 4, 1996, by and between FX Energy, Inc., and Zydeco Exploration, Inc., as amended by that certain First Amendment dated May 15, 1996, and that certain Second Amendment dated August 5,1996 (the "Agreement"). For convenience, terms defined therein shall have the same meaning when used herein. FX Energy, Inc. ("FX") has changed its name to Cheniere Energy Operating Co., Inc. ("Cheniere").

Section 2 of the Agreement originally provided:

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

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

Through yesterday, October 30, 1996, Cheniere had paid $5,000,000.00. We wish to provide an alternate schedule for the remaining payments, which is:

DATE	AMOUNT
1996-10-31	$1,000,000.00
1996-11-30	2,000,000.00
1997-01-31	2,000,000.00
1997-02-28	2,000,000.00
1997-03-31	1,500,000.00

Further:

1. Should Cheniere fail to make the payment of $2,000,000.00 due November 30, 1996, by such date, such failure shall be treated as a Discontinuance under Section 5 .

2. As to the payments due January 31, 1997, February 28, 1997, and March 31, 1997, the normal grace period shall apply.

3. The parties agree that the agreements by Zydeco to defer payments under Section 2 do not obligate Zydeco to grant further waivers nor waive the rights of Zydeco to have payments made at the times provided in the Agreement, as modified hereby.

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

Yours very truly,

ZYDECO EXPLORATION, INC.

/s/ W. Kyle Willis

W. Kyle Willis
Vice President

ACCEPTED AND AGREED TO THIS
31ST DAY OF OCTOBER, 1996.

CHENIERE ENERGY OPERATING COMPANY, INC.

/s/ William D. Forster
- ---
President

EXHIBIT 10.5

THE SHARES WHICH ARE THE SUBJECT OF THIS SUBSCRIPTION AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE DISPOSED OF FOR VALUE UNLESS A REGISTRATION STATEMENT HAS BECOME EFFECTIVE WITH RESPECT TO SUCH SECURITIES UNDER THE SECURITIES ACT AND SUCH STATE SECURITIES LAWS OR PURSUANT TO AN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO THE CORPORATION THAT THERE IS AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT (this "Agreement"), dated as of the date of acceptance set forth below, by and between CHENIERE ENERGY, INC., a Delaware corporation, with offices located at 1200 Smith Street, Suite 1710, Houston 77002 (the "Company"), and the undersigned (the "Buyer").

WITNESSETH:

WHEREAS, the Buyer wishes to subscribe for and purchase shares of Common Stock of the Company, par value $.003 per share (the "Common Stock"), upon the terms and subject to the conditions of this Agreement, subject to acceptance of this Agreement by the Company;

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

1. AGREEMENT TO SUBSCRIBE; SUBSCRIPTION PRICE.

(a) SUBSCRIPTION. The undersigned, intending to be legally bound, hereby irrevocably agrees to purchase from the Company the number of shares of Common Stock of the Company (the "Shares") set forth on the signature page of this Agreement. This Agreement is submitted to you in accordance with and subject to the terms and conditions described in this Agreement.

(b) ACCEPTANCE OF SUBSCRIPTION; CLOSING DATE. The Company has the right to accept of reject this Agreement, in whole or in part, in the Company's sole discretion. The Company shall have 10 days from the date of the execution and delivery of this Agreement by the undersigned to the Company in which to accept this Agreement. Payment for the Shares shall be in accordance with paragraph 3, and the Shares shall be delivered to a place of your designation upon payment.

(c) SUBSCRIPTION PRICE. The subscription price of the Shares (the "Subscription Price") to be paid to the Company shall be U.S. $_____ per share.

2. BUYER REPRESENTATIONS, WARRANTIES, ETC.; ACCESS TO INFORMATION; INDEPENDENT INVESTIGATION.

The Buyer represents and warrants to, and covenants and agrees with, the Company as follows:

(a) The Buyer is purchasing the Shares for its own account for investment only and not with a view towards the public sale or distribution thereof in violation of the Securities Act of 1933, as amended (the "Securities Act"), and with no present intention of dividing or allowing others to participate in this investment.

(b) If the Buyer is an individual, the Buyer is an "accredited investor" as that term is defined in Rule 501(a)(5) or (6) of Regulation D promulgated under the Securities Act by reason that the Buyer is an individual (i) having an individual net worth, or a joint net worth with the Buyer's spouse, at the time of the purchase that exceeds $1,000,000, or (ii) who had an individual income in excess of $200,000 in each of the two most recent years or joint income with the Buyer's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or if the Buyer is a corporation or other entity, the Buyer is an (_)"accredited investor" as that term is defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act.

(c) If the Buyer is a corporation or other entity, it was not organized for the specific purpose of acquiring the Shares.

(d) The Buyer has such knowledge, sophistication and experience in business, tax and financial matters that the Buyer is capable of evaluating, and is familiar with, the merits and risks of an investment in the Shares and can bear the substantial economic risk of an investment in the Shares for an indefinite period of time and can afford a complete loss of such investment.

(e) The Buyer represents that its overall commitment to investments which are not readily marketable is not disproportionate to the Buyer's net worth, and the Buyer's investment in the Shares will not cause such overall commitment to become excessive.

(f) If the Buyer is an individual, the Buyer has adequate means of providing for his current needs and personal and family contingencies and has no need for liquidity in his investment in the Shares.

(g) All subsequent offers and sales of the Shares by the Buyer shall be made pursuant to registration of the Shares under the Securities Act and applicable state securities laws or pursuant to a valid exemption from such registration requirements.

(h) The Buyer understands that the Shares are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Shares. The Buyer agrees that, if any of the representations, warranties, agreements,

acknowledgements or understandings deemed to have been made by it in connection with its investment in the Shares is no longer accurate, it shall promptly notify the Company and consult with the Company in order to determine an appropriate course of action.

(i) The Buyer has carefully read this Agreement and, to the extent that the Buyer believed necessary, has discussed the representations, warranties and agreements which the Buyer makes by signing this Agreement and the applicable limitations upon the Buyer's resale of the Shares with the Buyer's counsel.

(j) The Buyer and its advisors have been afforded the opportunity to ask questions of the Company, and have received complete and satisfactory answers to any and all such inquiries and has had access to such financial and other information concerning the Company and the Shares as it has deemed necessary in connection with its decision as to whether to make its investment. Without limiting the generality of the foregoing, the Buyer has had the opportunity to obtain and has reviewed (i) the Annual Report on Form 10-KSB for the year ended August 31, 1995 of Bexy Communications, Inc., the Company's predecessor ("Bexy"), (ii) the Proxy Statement of Bexy dated June 13, 1996 relating to the special meeting of Bexy's shareholders held on July 2, 1996, (iii) the Current Report on Form 8-K of the Company dated July 26, 1996 and (iv) the Prospectus relating to 2,844,211 shares of the Company's Common Stock dated October 11, 1996. The Buyer specifically acknowledges that it does not require and has not requested to see any information with respect to the Company or this investment other than the information described in clauses (i), (ii), (iii) and (iv) of this Section 2(j). The Buyer understands that its investment in the Shares involves a high degree of risk, and the Buyer is relying solely upon its own knowledge and experience in business, tax and financial matters in making its decision to purchase the Shares.

(k) The Buyer acknowledges that (i) none of the Company, any affiliate thereof or any person representing the Company or any affiliate thereof has made any representation to it with respect to the Company or the offering or sale of the Shares, other than the information concerning the Company contained the documents described in clauses (i), (ii), (iii) and (iv) of Section 2(j) above, (ii) in making its investment decision the Buyer is not relying upon any information given by the Company or any affiliate thereof or any person representing the Company or any affiliate thereof other than the information concerning the Company contained in clauses (i), (ii), (iii) and (iv) of Section 2(j) above and (iii) no representation has been made, and no information has been furnished, to the Buyer in connection with the offering or sale of the Shares that was in any way inconsistent with any other information with which the Buyer has been provided.

(l) The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Shares.

(m) The address shown under the Buyer's signature at the end of this Agreement is the principal residence of the Buyer, if the Buyer is an individual, or the principal business address of the Buyer, if the Buyer is a corporation or other entity.

(n) The Buyer has full power and authority to enter into this Agreement and consummate the transactions contemplated by this Agreement, and the Buyer, if an individual, is at least 21 years of age. This Agreement has been duly and validly authorized, executed and delivered by or on behalf of

the Buyer and is a valid and binding agreement of the Buyer enforceable in accordance with its terms, subject as to enforceability to general principles of equity and to bankruptcy or other laws affecting the enforcement of creditors' rights generally.

3. COMPANY REPRESENTATIONS, ETC.

The Company represents and warrants to the Buyer that:

(a) ORGANIZATION AND GOOD STANDING. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is qualified to do business in the states in which such qualification is required based on the nature and scope of the Company's operations.

(b) CONCERNING THE SHARES. The Shares, when issued, delivered and paid for in accordance with this Agreement and the Escrow Agreement, will be duly and validly authorized and issued, fully paid and nonassessable. There are no preemptive rights of any stockholder of the Company, as such, to acquire the Shares.

(c) SUBSCRIPTION AGREEMENT. The Company has full power and authority to enter into this Agreement and consummate the transactions contemplated by this Agreement. This Agreement, when accepted by the Company, shall have been duly and validly authorized, executed and delivered on behalf of the Company and shall be a valid and binding agreement of the Company enforceable in accordance with its terms, subject as to enforceability to general principles of equity and to bankruptcy or other laws affecting the enforcement of creditors' rights generally.

(d) NON-CONTRAVENTION. The execution and delivery of this Agreement by the Company and the consummation by the Company of the issuance of the Shares and the other transactions contemplated by this Agreement do not and will not conflict with or result in a breach by the Company of any of the terms or provisions of, or constitute a default under, the certificate of incorporation or by laws of the Company, or any indenture, mortgage, deed of trust or other material agreement or instrument to which the Company is a party or by which it or any of its properties or assets are bound, or any existing applicable law, rule or regulation or any applicable decree, judgment or order of any court, United States federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Company or any of its properties or assets.

(e) APPROVALS. The Company is not aware of any authorization, approval or consent of any governmental body which is required to be obtained by the Company for the issuance and sale of the Shares to the Buyer as contemplated by this Agreement.

(f) ADVERTISING. The Shares are not being offered or sold by any form of general solicitation or general advertising.

4. CERTAIN COVENANTS AND ACKNOWLEDGMENTS.

(a) TRANSFER RESTRICTIONS. The Buyer acknowledges that (i) the Shares to be issued to it hereunder have not been and are not being registered under the provisions of the Securities Act or any applicable state securities laws (except as provided in the Registration Procedures set forth in Section 5 of this Agreement), and may not be offered, sold, pledged or otherwise transferred unless (A) the Shares are subsequently registered under the Securities Act and all applicable state securities laws or (B) the Buyer shall have delivered to the Company an opinion of counsel, reasonably satisfactory in form, scope and substance to the Company, to the effect that the Shares may be sold or transferred pursuant to a valid exemption from such registration requirements; (ii) the Shares are and will be "restricted securities" (as defined in Rule 144 promulgated under the Securities Act); (iii) any sale of the Shares made in reliance on Rule 144 promulgated under the Securities Act may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any resale of such Shares under circumstances in which the seller, or the person through whom the sale is made, may be deemed to be an underwriter, as that term is used in the Securities Act, may require compliance with some other exemption under the Securities Act or the rules and regulations of the Securities and Exchange Commission (the "SEC") thereunder; and (iv) neither the Company nor any other person is under any obligation to register the Shares (other than pursuant to the Registration Procedures set forth in Section 5 of this Agreement) under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder.

(b) RESTRICTIVE LEGEND. The Buyer acknowledges and agrees that "stop transfer" instructions shall be placed against the Shares on the transfer books of the Company and that the certificate(s) evidencing the Shares shall bear the following legend:

The securities evidenced by this certificate have

not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any applicable state securities laws and may not be offered for sale, sold or otherwise disposed of for value unless a registration statement has become effective with respect to such securities under the Securities Act and any applicable state securities laws or pursuant to an opinion of counsel reasonably acceptable to the corporation that there is an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws.

(c) FORM D. The Company agrees to file a Form D with respect to the Shares as required under Regulation D of the Securities Act.

5. REGISTRATION PROCEDURES.

(a) Within 90 days after the issuance of the Shares, the Company shall prepare and file or cause to be filed with the SEC a registration statement (the "Registration Statement") with respect to all of the Shares (such Shares shall be referred to as "Registrable Shares"). The Company shall thereafter use diligence in attempting to cause the Registration Statement to be declared effective by the SEC and shall thereafter use diligence to maintain the effectiveness of the Registration Statement until the earlier to occur of (i) the date which is two years from the effective date of the Registration Statement, or (ii) the date on which all of the Registrable Shares have been sold by the Buyer.

(b) Following effectiveness of the Registration Statement, the Company shall furnish to the Buyer a prospectus as well as such other documents as the Buyer may reasonably request.

(c) The Company shall use diligent efforts to (i) register or otherwise qualify the Registrable Shares covered by the Registration Statement for sale under the securities laws of such jurisdictions as the Buyer may reasonably request, (ii) prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements as may be required, (iii) take such other actions as may be necessary to maintain such registrations and/or qualifications in effect at all times while the Registration Statement is likewise maintained effective and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Shares for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (I) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 5(c), (II) subject itself to general taxation in any such jurisdiction, (III) file a general consent to service of process in any such jurisdiction, (IV) provide any undertakings that cause more than nominal expense or burden to the Company or (V) make any change in its certificate of incorporation or bylaws, which in each case the Board of Directors of the Company determines to be contrary to the best interests of the Company and its stockholders.

(d) The Company shall, following effectiveness of the Registration Statement, as promptly as practicable after becoming aware of any such event, notify the Buyer of the happening of any event of which the Company has knowledge, as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and use its best efforts promptly to prepare a supplement or amendment to the Registration Statement to correct such untrue statement or omission, and deliver a number of copies of such supplement or amendment to the Buyer or as the Buyer may reasonably request.

(e) Following effectiveness of the Registration Statement, the Company, as promptly as practicable after becoming aware of any such event, will notify the Buyer of the issuance by the SEC of any stop order or other suspension of effectiveness of the Registration Statement at the earliest possible time.

(f) Following effectiveness of the Registration Statement, the Company will use diligence either to (i) cause all the Registrable Shares covered by the Registration Statement to be listed on a national securities exchange and on each additional national securities exchange on which similar securities issued by the Company are then listed, if any, if the listing of such Registrable Shares is then permitted under the rules of such exchange, or (ii) secure the quotation of all the Registrable Shares

covered by the Registration Statement on the Nasdaq Market, if the listing of such Registrable Shares is then permitted under the rules of such Market, or (iii) if, despite the Company's best efforts to satisfy the preceding clause (i) or (ii), the Company is unsuccessful in satisfying the preceding clause (i) or

(ii) and without limiting the generality of the foregoing, to arrange for at least two market makers to register with the National Association of Securities Dealers, Inc. as such with respect to such Registrable Shares.

(g) Provide a transfer agent and registrar, which may be a single entity, for the Registrable Shares not later than the effective date of the Registration Statement.

(h) Take all other reasonable actions necessary to expedite and facilitate disposition by the Buyer of the Registrable Shares pursuant to the Registration Statement.

(i) It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 5 that the Buyer shall furnish to the Company such information regarding itself as the Company may reasonably request to effect the registration of the Registrable Shares and shall execute such documents in connection with such registration as the Company may reasonably request.

(j) The Buyer agrees to cooperate with the Company in any manner reasonably requested by the Company in connection with the preparation and filing of the Registration Statement hereunder.

(k) The Buyer agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 5(d) or 5(e), the Buyer will immediately discontinue disposition of Registrable Shares pursuant to the Registration Statement covering such Registrable Shares until the Buyer's receipt of the copies of the supplemented or amended prospectus and, if so directed by the Company, shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in the Buyer's possession of the prospectus covering such Registrable Shares current at the time of receipt of such notice.

(l) All expenses, other than (i) underwriting discounts and commissions, (ii) other fees and expenses of investment bankers and (iii) brokerage commissions, incurred in connection with registrations, filings or qualifications pursuant to this Section 5, including, without limitation, all registration, listing and qualification fees, printers and accounting fees and the fees and disbursements of counsel to the Company, shall be borne by the Company.

(m) To the extent permitted by law, the Company will indemnify and hold harmless the Buyer, the directors, if any, of the Buyer, the officers, if any, of the Buyer, each person, if any, who controls the Buyer within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any underwriter (as defined in the Securities Act) for the Buyer, the directors, if any, of such underwriter and the officers, if any, of such underwriter, and each person, if any, who controls any such underwriter within the meaning of the Securities Act or the Exchange Act (each, an "Indemnified Person"), against any losses, claims, damages, expenses or liabilities (joint or several) (collectively, "Claims") to which any of them may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any of the following statements, omissions or violations in the Registration Statement, or any post effective amendment thereof, or any prospectus included therein: (i) any untrue statement or alleged untrue statement of a material fact

contained in the Registration Statement or any post effective amendment thereof or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading or (iii) any violation or alleged violation by the Company of the Securities Act, any state securities law or any rule or regulation under the Securities Act, the Exchange Act or any state securities law (the matters in the foregoing clauses (i) through (iii) are hereinafter collectively referred to as the "Violations"). Subject to the restrictions set forth in Section 5(o) with respect to the number of legal counsel, the Company shall reimburse the Buyer and each such underwriter or controlling person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnity contained in this Section 5(m) (I) shall not apply to a Claim arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by any Indemnified Person or underwriter for such Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or

supplement thereto; (II) with respect to any preliminary prospectus shall not inure to the benefit of any person from whom the person asserting any Claim purchased the Registrable Shares that are the subject thereof (or to the benefit of any person controlling such person) if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected in the prospectus, as then amended or supplemented, if such prospectus was timely made available by the Company; and (III) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Shares by the Buyer.

(n) The Buyer agrees to indemnify and hold harmless, to the same extent and in the same manner set forth in Section 5(m), the Company, each of its directors, each of its officers who signs the Registration Statement, each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, any underwriter and any other stockholder selling securities pursuant to the Registration Statement or any of its directors or officers or any person who controls such stockholder or underwriter within the meaning of the Securities Act or the Exchange Act (each such person and each Indemnified Person, an "Indemnified Party"), against any Claim to which any of them may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Claim arises out of or is based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by the Buyer expressly for use in connection with such Registration Statement or such prospectus; and the Buyer will reimburse any reasonable legal or other expenses reasonably incurred by any Indemnified Party in connection with investigating or defending any such Claim; provided, however, that the indemnity contained in this Section 5(n) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Buyer, which consent shall not be unreasonably withheld; provided, further, that the Buyer shall be liable under this Section 5(n) for only that amount of a Claim as does not exceed the net proceeds to the Buyer as a

result of the sale of Registrable Shares pursuant to such Registration Statement or such prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Shares by the Buyer. Notwithstanding anything to the contrary contained herein the indemnity contained in this Section 5(n) with respect to any preliminary prospectus shall not inure to the benefit of any Indemnified Party if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented.

(o) Promptly after receipt by an Indemnified Person or Indemnified Party under Section 5(m) or 5(n) of notice of the commencement of any action (including any governmental action), such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is made against any indemnifying party under this Section 5, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, assume control of the defense thereof with counsel mutually satisfactory to the indemnifying parties; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. Except as provided in the preceding sentence, the Company shall pay for only one separate legal counsel for the Indemnified Persons. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 5, except to the extent that the indemnifying party is prejudiced in its ability to defend such action. The indemnity required by this Section 5 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

(p) PIGGYBACK REGISTRATION. After the registration under Section 5(a) hereof, and for a period ending two years from the date hereof, if the Company at any time proposes to register any of its securities under the Securities Act (other than a registration effected solely to implement an employee benefit plan, a transaction to which Rule 145 of the SEC is applicable or any other form or type of registration in which the Buyer's Registrable Shares cannot be included pursuant to SEC rule or practice), it will give written notice to the Buyer of its intention to do so. If such registration is proposed to be on a form which permits inclusion of the Buyer's Registrable Shares, upon the written

request (stating the intended method of disposition of such securities) of the Buyer given within thirty (30) days after transmittal by the Company to the Buyer of such notice, the Company will, subject to the limits contained in this Agreement, use its best efforts to cause all such Registrable Shares of the Buyer to be registered under the Securities Act and qualified for sale under any state securities law, all to the extent requisite to permit such sale or other disposition by the Buyer, except that if the Company receives a written opinion of a managing underwriter that the inclusion of any of all of such Registrable Shares would adversely affect the marketing of the securities to be sold pursuant to such registration statement the Company shall not be required to register any or all of such Registrable Shares. Sections 5(b) through 5(o) hereof shall apply to any registration in which the Buyer participates, and in such event, the term "Registration Statement" shall mean the registration statement filed in connection with such registration.

6. TRANSFER AGENT INSTRUCTIONS.

Promptly following the delivery by the Buyer of the aggregate Subscription Price for the Shares in accordance with Sections 1(b) and (c) hereof, the Company's transfer agent will be instructed by the Company to issue one or more certificates representing in total the Shares, bearing the restrictive legend specified in Section 4(b) of this Agreement, registered in the name of the Buyer or its nominee and in such denominations as shall be specified by the Buyer prior to the Closing Date. The Company warrants that no instruction other than such instructions referred to in this Section 6 and stop transfer instructions to give effect to Section 4(a) and (b) hereof will be given by the Company to the transfer agent and that the Shares shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement. Nothing in this Section shall affect in any way the Buyer's obligations and agreement to comply with all applicable federal and state securities laws upon resale of the Shares. If the Buyer provides the Company with an opinion of counsel reasonably satisfactory in form, scope and substance to the Company that registration of a resale by the Buyer of any of the Shares in accordance with Section 4(a) is not required under the Securities Act or applicable state securities laws, the Company shall permit the transfer agent to issue one or more share certificates in such name and in such denominations as specified by the Buyer.

7. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

The Buyer understands that the Company's obligation to sell the Shares to the Buyer pursuant to this Agreement is conditioned upon:

(a) The receipt and acceptance by the Company in its sole and absolute discretion of this Agreement, as evidenced solely by delivery by the Company to the Buyer of this Agreement duly executed by the Company;

(b) Delivery by the Buyer to the Escrow Agent of good funds as payment in full of an amount equal to the Subscription Price for the Shares in accordance with Sections l(b) and (c) hereof; and

(c) The accuracy on the Closing Date of the representations and warranties of the Buyer contained in this Agreement and the performance by the Buyer on or before the Closing Date of all covenants and agreements of the Buyer required to be performed on or before such Closing Date.

8. CONDITIONS TO THE BUYER'S OBLIGATION TO PURCHASE.

The Company understands that the Buyer's obligation to purchase the Shares from the Company is conditioned upon:

(a) Delivery by the Company to the Buyer of this Agreement duly executed by the Company in acceptance thereof and delivery of the Shares to the Escrow Agent; and

(b) The accuracy on the Closing Date of the representations and warranties of the Company contained in this Agreement and the performance by the Company on or before the Closing

Date of all covenants and agreements of the Company required to be performed on or before such Closing Date.

9. NO OFFER TO SELL.

This Agreement shall not be construed or interpreted as any offer by the Company to sell the Shares. The Company shall have no obligation to accept this Agreement if offered by the Buyer and may in the Company's sole discretion elect to reject this Agreement. The Company shall have no obligation or liability to the Buyer or to any other party if the Company in its sole and absolute discretion determines not to accept this Agreement.

10. GOVERNING LAW; JURISDICTION.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without giving effect to principles of conflicts of law). The Buyer hereby consents to and agrees to submit to the jurisdiction in the United States of America of the Supreme Court of the State of New York located in New York County or of the United States District Court for the Southern District of New York for any action or proceeding brought by the Company arising under or by reason of this Agreement or relating to the sale of the Shares and to the venue of such action or proceeding in such courts.

11. TRIAL BY JURY.

The Buyer hereby waives trial by jury in any action or proceeding involving, directly or indirectly, any matter (whether sounding in tort, contract, fraud or otherwise) in any way arising out of or in connection with this Agreement or the Shares issued hereunder.

12. MISCELLANEOUS.

A facsimile transmission of this signed agreement shall be legal and binding on all parties hereto. This Agreement and the rights and obligations hereunder are not transferable or assignable by the Buyer. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction. Any notices required or permitted to be given under the terms of this Agreement shall be sent by mail or delivered personally or by courier and shall be effective five (5) days after being placed in the mail, if mailed, or upon receipt, if delivered personally or by courier, in each case addressed to a party at such party's address shown in the introductory paragraph or on the signature page of this Agreement or such other address as may be provided by a party in accordance with this Section 12.

13. ENTIRE UNDERSTANDING.

This Agreement (including any attachments hereto) constitutes the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements,

whether written or oral. This Agreement may be amended only in a written document duly executed by both parties hereto.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Agreement has been duly executed by the Buyer or one of its officers thereunto duly authorized as of _____, 1996.

Name of Buyer: _____

Signature (if Buyer is an individual): _____

Signature (if Buyer is a corporation or other entity): By: _____
Name:
Title:

Address: _____

_____

_____

Number of Shares: _____

Price per Share: US $_____

Aggregate Subscription

Price: US $_____

IRS Taxpayer No.: _____

This Agreement has been accepted by the Company as of _____ ___, 1996.

CHENIERE ENERGY, INC.

By: _____

Name:_____

Title:_____

Address for Delivery of Shares:
_____
_____
_____