

Registration No. 333-10905

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
POST-EFFECTIVE AMMENDMENT NO. 2
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

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

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

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

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

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

Copies of all communications, including all communications sent
to the agent for service, should be sent to:

TIMOTHY J. ALVINO, ESQ.
DEWEY BALLANTINE
1301 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10019
(212) 259-8000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to
time after the effective date of this Registration Statement.

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

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

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

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

PROSPECTUS

2,844,211 SHARES

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

This Prospectus relates to 2,844,211 shares of issued and outstanding common stock of Cheniere Energy, Inc., a Delaware corporation ("Cheniere"), par value \$.003 per share (the "Common Stock"). The Common Stock was originally issued by Cheniere to certain holders of shares of common stock of Cheniere Energy Operating Co., Inc., a wholly-owned subsidiary of Cheniere, and to an "accredited investor" (as defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended (the "Securities Act")), pursuant to Regulation D promulgated under the Securities Act. See "Description of Capital Stock".

The Common Stock (ticker symbol "CHEX") is traded on the over-the-counter market and quoted on the OTC Bulletin Board (the "Bulletin Board"). On January 17, 1997, the last reported sale price of the Common Stock on the Bulletin Board was \$4.25 per share.

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

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

SEE "RISK FACTORS" BEGINNING ON PAGE 5 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SECURITIES OFFERED HEREBY.

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

The date of this Prospectus is January __, 1997

SUMMARY

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

THE COMPANY

GENERAL

Cheniere Energy, Inc., a holding company ("Cheniere," together with Cheniere Operating (as defined below) and Cheniere California (as defined below), the "Company"), is the owner of 100% of the outstanding common stock of Cheniere Energy Operating Co., Inc. ("Cheniere Operating") and Cheniere Energy California, Inc. ("Cheniere California"). Cheniere is a Houston-based company formed for the purpose of oil and gas exploration and exploitation. Cheniere Operating 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. Cheniere California has signed a Purchase and Sale Agreement with respect to certain undeveloped leases offshore Santa Barbara County, California.

Cheniere Operating is involved with one major project in the pre-drilling stage. Cheniere Operating has entered into a joint exploration program pursuant to an Exploration Agreement between 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"). Cheniere

Operating has the right to earn up to a 50% participation in the 3-D Joint Venture. Cheniere Operating believes that the 3-D seismic survey (the "Survey") is the first of its size to cross the shoreline 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 84% (210 square miles) of the Survey AMI and is attempting to acquire rights to survey additional portions of the Survey AMI. There is no assurance that the 3-D Joint Venture will successfully obtain rights to survey additional portions of the Survey AMI. The 3-D Joint Venture will survey specific sections selected by it within the areas covered by such permits and rights. A seismic data acquisition contract was signed and acquisition of data commenced in September, 1996. Prior to discontinuing operations in late November due to weather conditions, 28 square miles of data had been acquired. Zydeco, the program operator, anticipates that work on the project will resume in April 1997.

Cheniere California has signed a Purchase and Sale Agreement with Poseidon Petroleum, LLC ("Poseidon") to acquire Poseidon's 60% working interest in six undeveloped leases in the Bonito Unit (the "Bonito Unit") of the Pacific Outer Continental Shelf (OCS) offshore Santa Barbara County, California. A significant interest in the Bonito Unit is owned by Nuevo Energy Company. Torch Operating Co. is the operator of the Bonito Unit, pursuant to an agreement with Nuevo. Poseidon estimates that the net proved undeveloped reserves attributable to its interests are approximately 47 million barrels of oil equivalent. As payment for this interest, Cheniere California will pay Poseidon production payments equal to three percent of the production revenue from the leases assigned up to an aggregate amount of \$18,000,000. Minimum prepayments of the production payment shall be made at the rate of \$540,000 per year, payable in advance, and shall be retained by Poseidon even if there is no production. Poseidon will have a reserve report prepared with respect to the leases which is subject to Cheniere California's acceptance. The principal amount of the production payment and the required minimum yearly payments are subject to adjustment based on the results of the reserve report. Subject to the satisfaction of certain conditions by Poseidon and/or Cheniere, it is anticipated that the closing of the purchase will occur during the second quarter of 1997. There can be no assurance that Cheniere California will successfully consummate such transactions. Moreover, if such transactions are consummated, Cheniere California expects that development of the reserves will not occur for at least four years. There can be no assurance that the reserves will be successfully developed or will yield sufficient quantities of oil and gas to be economically viable.

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

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BUSINESS STRATEGY

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

. FOCUS ON FEW PROJECTS WITH LARGE RESERVE POTENTIAL.

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

Offshore California. Cheniere California has signed a Purchase and Sale Agreement with Poseidon to acquire Poseidon's 60% working interest in six undeveloped leases in the Bonito Unit of the Pacific Outer Continental Shelf (OCS) offshore Santa Barbara County, California. Poseidon estimates that the net proved undeveloped reserves attributable to its interests are approximately 47 million barrels of oil equivalent. Subject to the satisfaction of certain conditions by Poseidon and/or Cheniere, it is anticipated that the closing of the purchase will occur during the second quarter of 1997. Moreover, if the transactions are consummated, Cheniere California expects that development of the reserves will not occur for at least four years. See "Business and Properties."

. MAINTAIN A SIGNIFICANT WORKING INTEREST IN EACH PROJECT. Cheniere Operating has the right to earn up to a 50% participation in the 3-D Joint Venture.

Under the terms of the Exploration Agreement, Cheniere Operating must timely meet its payment obligations to the 3-D Joint Venture in order to reach a 50% participation. Cheniere Operating 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.

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RISK FACTORS

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

FACTORS RELATING TO THE COMPANY

Limited Operating History

Cheniere Energy, Inc., a holding company ("Cheniere," together with Cheniere Operating (as defined below) and Cheniere Energy California (as defined below), the "Company"), is the owner of 100% of the outstanding common stock of Cheniere Energy Operating Co., Inc. ("Cheniere Operating") and Cheniere Energy California, Inc. ("Cheniere California"). The Company has a limited operating history with respect to its oil and gas exploration activities which were commenced through a joint exploration program in April 1996 by Cheniere Operating. Following a reorganization with Bexy Communications, Inc. ("Bexy"), Cheniere Operating became a wholly-owned subsidiary of Cheniere. During the fiscal year ended August 31, 1996, the Company incurred net losses of \$286,819 and for the four month period ended December 31, 1996, the Company incurred net losses of \$193,533. The Company is likely to continue to incur losses during the remainder of 1997, and possibly beyond, depending on whether it generates sufficient revenue from producing reserves acquired either through acquisitions or drilling activities.

Limited Assets

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

Need for Additional Financing

The Company presently has no operating revenues and does not expect to generate substantial operating revenues in the foreseeable future. It is expected that the Company will need substantial additional capital in order to sustain operations and to enable Cheniere Operating to timely make required payments to the 3-D Joint Venture. Such additional capital will also be necessary in order for the Company to acquire additional oil and gas leases or producing properties or to drill wells on potential prospects. Additional capital may be secured from a combination of funding sources that may include borrowings from financial institutions, debt offerings (which would increase the leverage of the Company and add to its need for cash to service such debt), additional offerings of Cheniere's equity securities (which could cause substantial dilution of the Common Stock), or sales of portions of Cheniere Operating's interest in the 3-D Joint Venture (which would reduce any future revenues from the 3-D Joint Venture). The Company's ability to access additional capital will depend on its results of operations and the status of various capital markets at the time such additional capital is sought. Accordingly,

there can be no assurances that capital will be available to the Company from any source or that, if available, it will be on terms acceptable to the Company. Should sufficient additional financing not be available, Cheniere will be unable to fund payments to the 3-D Joint Venture required to be made by Cheniere Operating. See "Management Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

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Timeliness of 3-D Joint Venture Payments

Under the terms of the Exploration Agreement, Cheniere Operating is required to make monthly payments to the 3-D Joint Venture aggregating, at least, \$13.5 million, \$6 million of which has been paid by Cheniere Operating to date. Cheniere Operating's potential participation in the 3-D Joint Venture could be significantly reduced in the event of a failure by Cheniere Operating to make such required monthly payments when due. Cheniere Operating has in the past failed to make such payments when due. While Cheniere Operating has in such instances succeeded in obtaining waivers under, and amendments to, the Exploration Agreement extending the due dates for such payments, there can be no assurance that Cheniere Operating will successfully obtain similar amendments should it fail to timely make required payments to the 3-D Joint Venture in the future. Neither Cheniere Operating nor Cheniere currently has sufficient capital to meet its future payment obligations and there can be no assurance that Cheniere Operating or Cheniere will successfully secure the necessary funds. See "Business and Properties - 3-D Joint Venture Exploration Agreement."

Potential Acquisition of Working Interest in California Offshore Oil Reserves

Cheniere California has signed a Purchase and Sale Agreement with Poseidon to acquire Poseidon's 60% working interest in six undeveloped leases in the Bonito Unit of the Pacific Outer Continental Shelf (OCS) offshore Santa Barbara County, California. While it is anticipated that the closing of the purchase will occur during the second quarter of 1997, the transactions are subject to the satisfaction of certain conditions by Poseidon and/or Cheniere, and there is no assurance that Cheniere California will successfully consummate the transactions contemplated by such Purchase and Sale Agreement. Moreover, if such transactions are consummated, Cheniere California expects that development of the reserves will not occur for at least four years. There can be no assurance that Cheniere California will be able to make the yearly minimum payments prior to development of the property. In the event that the minimum payments are not made, and an amendment to the payment schedule cannot be negotiated, then the property will have to be reassigned to Poseidon. There can be no assurance that the reserves will be successfully developed or will yield sufficient quantities of oil and gas to be economically viable.

Lack of Liquidity of the Common Stock

There is currently limited liquidity in the trading of the Common Stock. The completion of the offering of the Common Stock provides no assurance that the trading market for the Common Stock will become more active. Cheniere has applied for a Nasdaq SmallCap Market listing. There can be no assurance that Cheniere will be approved for such listing.

Possible Issuance of Additional Shares

Cheniere's Certificate of Incorporation authorizes the issuance of 20,000,000 shares of the Common Stock. As of January 15, 1997 approximately 40% of the shares of the Common Stock remained unissued. Cheniere's Board of Directors has the power to issue any and all of such shares without shareholder approval. It is likely that Cheniere will issue shares of the Common Stock, among other reasons, in order to raise capital to sustain operations, make required payments to the 3-D Joint Venture and/or to finance future oil and gas exploration projects. In addition, Cheniere has reserved 386,666 and 2/3 shares of the Common Stock for issuance upon the exercise of outstanding warrants and 319,444 and 2/3

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shares of the Common Stock for issuance upon the exercise of outstanding options. Any issuance of the Common Stock by Cheniere may result in a reduction in the book value per share or market price per share of the outstanding shares of the Common Stock and will reduce the proportionate ownership and voting power of such shares. See "Description of Capital Stock."

Dependence on Key Personnel

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

Dependence on Industry Partners

The future success of the 3-D Joint Venture is largely dependent upon the experience and performance of Zydco. As the Company has few employees and limited operating revenues, the Company will be largely dependent upon industry

partners for the success of its oil and gas exploration projects for the foreseeable future.

Control by Principal Stockholders

William D. Forster, President and Chief Executive Officer of Cheniere, and BSR Investments, Ltd. ("BSR"), an entity under the control of a member of the immediate family of Charif Souki, Secretary and a director of Cheniere, own in the aggregate approximately 45.6% of the outstanding Common Stock. Accordingly, it is likely that Mr. Forster and BSR will effectively be able to elect all of the directors of Cheniere and to control Cheniere's management, operations and affairs, including the ability to effectively prevent or cause a change in control of Cheniere.

FACTORS RELATING TO THE 3-D JOINT VENTURE

Ability to Obtain Permits

The 3-D Joint Venture will conduct a 3-D seismic survey (the "Survey") over certain areas located within a total area of approximately 255 square miles running 5 miles south and generally 3 to 5 miles north of the coastline in the most westerly 28 miles of West Cameron Parish, Louisiana (the "Survey AMI"). The 3-D Joint Venture does not currently have rights to survey the entire Survey AMI and the extent of the Survey AMI which the 3-D Joint Venture will be entitled to survey is dependent upon its ability to obtain survey permits and similar rights. Currently, the 3-D Joint Venture has rights to survey approximately 84% (210 square miles) of the Survey AMI and is attempting to acquire rights to survey additional portions of the Survey AMI. There can be no assurance that the 3-D Joint Venture will successfully obtain permits or rights to survey additional portions of the Survey AMI.

Louisiana State Waters - Timing Risks

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

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

FACTORS RELATING TO THE OIL AND GAS INDUSTRY

Operating Risks

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

Exploration Risks

The Company's exploration activities involve significant risks. There can be no assurance that the use of technical expertise as applied to geophysical or geological data will ensure that any well will encounter hydrocarbons. Further, there is no way to know in advance of drilling and testing whether any prospect encountering hydrocarbons in the Survey AMI by the 3-D Joint Venture will yield

oil or gas in sufficient quantities to be economically viable. In addition, the Company is highly dependent upon seismic activity and the related application of new technology as a primary exploration methodology. There can be no assurance that the 3-D Joint Venture's efforts will be successful. See "Business and Properties."

High Dependence upon Lease Acquisition Activities

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

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

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

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

Intense Competition in Oil and Gas Industry

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

Risks of Turnkey Contracts

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

United States Governmental Regulation, Taxation and Price Control

Oil and gas production and exploration are subject to comprehensive federal, state and local laws and regulations controlling the exploration for and production and sale of oil and gas and the possible effects of such activities on the environment. Failure to comply with such rules and regulations can result in substantial penalties and may adversely affect the Company. Present, as well as future, legislation and regulations could cause additional expenditures, restrictions and delays in the Company's business, the extent of which cannot be predicted and which may require the Company to limit substantially, delay or cease operations in some circumstances. In most, if not all, areas where the Company may conduct activities, there may be statutory provisions regulating the production of oil and natural gas which may restrict the rate of production and adversely affect revenues. The Company plans to acquire oil and gas leases in the Gulf of Mexico, which will be granted by the Federal government and administered by the U.S. Department of Interior Minerals Management Service (the "MMS"). The MMS strictly regulates the exploration,

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

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THE COMPANY

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

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

The Common Stock of Cheniere 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 11,942,515 shares outstanding as of January 15, 1997. Cheniere 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.

USE OF PROCEEDS

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

CAPITALIZATION

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

<TABLE>
<CAPTION>

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Shareholders' Equity	
Common Stock - \$.003 Par Value	
Authorized 20,000,000 shares;	
11,942,515 Issued and Outstanding(1)	\$ 35,828
Preferred Stock -	
Authorized 1,000,000 shares;	--
None Issued and Outstanding	
Additional paid-in capital	9,601,817

Retained Deficit	(1,423,733)

Total Shareholders' Equity	\$8,213,912
	=====

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- (1) In addition, (i) 274,166 and 2/3 shares of the Common Stock are reserved for issuance upon exercise of outstanding warrants to purchase Common Stock at an exercise price of \$3.00 per share, (ii) 112,500 shares of the Common Stock are reserved for issuance upon the exercise of outstanding warrants to purchase Common Stock at an exercise price of \$3.125 per share, (iii) 300,000 shares of the Common Stock are reserved for issuance upon exercise of outstanding options granted by the Board of Directors to certain of Cheniere's executive officers, at an exercise price of \$3.00 per share and (iv) 19,444 and 2/3 shares of the Common Stock are reserved for issuance upon exercise of outstanding options granted to Buddy Young, at an exercise price of \$1.80 per share.

MARKET PRICE AND DIVIDEND INFORMATION

From 1989 through December 1993, there was no public trading market for the Bexy Common Stock. In December 1993, the common stock of Bexy began trading on the Bulletin Board. In connection with the Reorganization, the Company divested itself of the assets relating to the business of Bexy prior to the Reorganization and has shifted its focus to oil and gas exploration. Simultaneously with the Reorganization, each three outstanding shares of common stock of Bexy was converted to one share of Common Stock and the stockholders of Cheniere Operating were issued shares of Common Stock 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 January 15, 1997 were \$6.00 and \$2.125, respectively. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not reflect actual transactions.

As of January 15, 1997 there were 778 record holders of the Common Stock which does not include holders who hold their shares of the Common Stock in "street name".

Cheniere 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 Cheniere's Board of Directors and will depend upon, among other things, future earnings, the operating and financial condition of Cheniere, its capital requirements and general business conditions.

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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. The financial statements as of December 31, 1996 and for the four month period then ended are unaudited. This information should be read in conjunction with the financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	September 1, 1995 to August 31, 1996	September 1, 1996 to December 31, 1996
	-----	-----
<S>	<C>	<C>
Net operating revenues	\$ --	\$ --
(Loss) from continuing operations	(79,097)	(193,553)
(Loss) from continuing operations per share of common stock	(0.008)	(0.02)
(Loss) from discontinued operations	(207,722)	--
Net (loss) per share of common stock	(0.03)	(0.02)
Total Assets	5,145,310	8,476,711
Long-term obligations	--	--
Total Liabilities	718,855	262,799

Total Shareholders' Equity
Cash dividends declared per share of common stock

4,426,455
--

8,213,912
--

</TABLE>

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

GENERAL

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, and 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.

RESULTS OF OPERATIONS - UNAUDITED STATEMENTS FOUR MONTH PERIOD ENDED
DECEMBER 31, 1996

The Company's operating results for the four months ended December 31, 1996 reflect a loss of \$193,553, or \$0.02 per share, as there were no operating revenues. General and administrative expenses of \$192,330 and interest expenses of \$8,552 were offset partially by interest income of \$7,329.

LIQUIDITY AND CAPITAL RESOURCES

At August 31, 1996, the Company's balance sheet reflected current assets of \$1,097,980 with liabilities of \$718,855. Other assets reflected an investment of \$4 million in the proprietary 3-D seismic exploration project in southern Louisiana (the "3-D Joint Venture"). As of August 31, 1996, the Company's capital reflected sales of shares net of offering expenses of \$609,451 and distribution of net assets of \$112,902 from discontinued operations.

At December 31, 1996, total assets were \$8,476,711 compared to \$5,145,310 at August 31, 1996. The increase is due primarily to equity net proceeds of \$4,414,918 received during the four month period. Current assets increased to \$2,425,896 from \$1,097,980 during the same period. Other assets reflected an increase in investment to \$6 million from \$4 million in the 3-D Joint Venture. This increase was funded primarily from cash balances and equity proceeds.

At December 31, 1996, the Company had working capital of \$2,163,097. For the fiscal year ended August 31, 1996, operating expenses and capitalized costs were financed by the sale of Common Stock and Bridge Loan (as defined below) funding as the Company had not yet generated revenues from continuing operations. For the four month period ended December 31, 1996, operating expenses and capitalized costs were financed by the sale of Common Stock 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 \$7.5 million, will be met by sale of equity, further borrowings and/or sales of portions of Cheniere Operating'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 Cheniere Operating's interest in the 3-D Joint Venture will prove to be successful. Cheniere Operating has in the past failed to timely

make certain payments due to the 3-D Joint Venture. While Cheniere Operating 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 Cheniere Operating will successfully obtain similar amendments should it fail to timely make required payments to the 3-D Joint Venture in the future. Neither Cheniere Operating nor Cheniere currently has sufficient capital to meet its future payment requirements and there can be no assurance that Cheniere Operating or Cheniere will successfully secure the necessary funds.

Since its inception, the Cheniere Operating's primary source of financing for operating expenses and payments to the 3-D Joint Venture has been, originally, the sale of its equity securities, and since the reorganization with Bexy, funding from Cheniere through the sale of Cheniere's equity securities.

In May and June 1996, Cheniere Operating raised \$2,883,000, net of offering costs, from the sale of shares of its common stock (which were exchanged for 2,000,000 shares of the Common Stock following the Reorganization) to "accredited investors" (as defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended (the "Securities Act")) pursuant to Rule 506 of Regulation D promulgated under the Securities Act ("Regulation D"). The proceeds were used to fund Cheniere Operating's initial \$3 million payment to the 3-D Joint Venture.

In order to finance a \$1 million payment made to the 3-D Joint Venture on August 9, 1996, Cheniere sold Common Stock pursuant to Regulation D and Regulation S promulgated under the Securities Act ("Regulation S"). In July 1996, Cheniere sold 50,000 shares of the Common Stock to an "accredited investor" pursuant to Rule 506 of Regulation D and Cheniere received proceeds of \$100,000 from such sale. In July and August 1996, Cheniere conducted an offering of Common Stock pursuant to Regulation S. Cheniere 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, Cheniere 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 December 31, 1996, Cheniere raised net proceeds of \$4,414,918 from the sale of equity to accredited investors pursuant to Regulation D and other investors pursuant to Regulation S. Some of the proceeds were used to fund a \$1 million payment on October 31, 1996 to the 3-D Joint Venture. Accredited investors who purchased shares pursuant to Regulation D during this period were granted Registration Rights with respect to 534,638 shares of the Common Stock. Cheniere intends to file a Registration Statement with respect to these shares within the near future.

In June 1996, Cheniere Operating borrowed \$425,000 (the "Bridge Loan") through a private placement of short term promissory notes (the "Notes"). 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 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. The Noteholders were granted Registration Rights with respect to these shares, and the Company intends to file a Registration Statement with respect to these shares within the near future. In addition, 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 exchange for such notes, Cheniere Operating issued a new promissory note in the amount of \$215,000 to the Remaining Noteholder, which Cheniere Operating paid on December 13, 1996. The Remaining Noteholder also received 64,500 additional warrants to purchase shares of the Common Stock. Such additional warrants have an exercise price of \$3.00 per share and will be exercisable until June 14, 1999.

On November 27, 1996, Cheniere Operating and Zydeco Exploration amended the Exploration Agreement between the two entities relating to the 3-D Joint Venture whereby the schedule for payment of Seismic Funds defined by the Exploration Agreement and its amendments from Cheniere Operating to Zydeco is suspended. The new amendment calls for Cheniere Operating to furnish funds to maintain a \$1,000,000 balance in the Seismic Fund account and for Cheniere

Operating to resume the payment schedule within thirty days of Zedeco's notification. The suspension of payment of Seismic Funds is intended to better align the payment schedule with Zedeco's need for such funds. Under the revised agreement, Cheniere Operating expects to fund an additional \$7.5 million of Seismic Fund payments during the final three quarters of its fiscal year ending August 31, 1997.

BUSINESS AND PROPERTIES

GENERAL

The Company is currently involved in a joint exploration program which is engaged in the exploration for oil and natural gas along the Gulf Coast of Louisiana, onshore and in the shallow waters of the Gulf of Mexico. The Company commenced its oil and gas activities in April 1996 through such joint exploration program, and since July 3, 1996 has been publicly traded under the name Cheniere Energy, Inc. Cheniere California has signed a Purchase and Sale Agreement with respect to certain undeveloped leases offshore Santa Barbara County, California.

Cheniere Operating is involved with one major project in the pre-drilling stage. Cheniere Operating has entered into a joint exploration program pursuant to an Exploration Agreement between 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"). Cheniere Operating has the right

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to earn up to a 50% participation in the 3-D Joint Venture. Cheniere Operating believes that the 3-D seismic survey (the "Survey") is the first of its size to cross the shoreline 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 84% (210 square miles) of the Survey AMI and is attempting to acquire rights to survey additional portions of the Survey AMI. There is no assurance that the 3-D Joint Venture will successfully obtain rights to survey additional portions of the Survey AMI. The 3-D Joint Venture will survey specific sections selected by it within the areas covered by such permits and rights. A seismic data acquisition contract was signed and acquisition of data commenced in September, 1996. Prior to discontinuing operations in late November due to weather conditions, 28 square miles of data had been acquired. Zydeco, the program operator, anticipates that work on the project will resume in April 1997.

Cheniere California has signed a Purchase and Sale Agreement with Poseidon Petroleum, LLC ("Poseidon") to acquire Poseidon's 60% working interest in six undeveloped leases in the Bonito Unit (the "Bonito Unit") of the Pacific Outer Continental Shelf (OCS) offshore Santa Barbara County, California. A significant interest in the Bonito Unit is owned by Nuevo Energy Company. Torch Operating Co. is the operator of the Bonito Unit, pursuant to an agreement with Nuevo. Poseidon estimates that the net proved undeveloped reserves attributable to its interests are approximately 47 million barrels of oil equivalent. As payment for this interest, Cheniere California will pay Poseidon production payments equal to three percent of the production revenue from the leases being assigned up to an aggregate amount of \$18,000,000. Minimum prepayments of the production payment shall be made at the rate of \$540,000 per year, payable in advance, and shall be retained by Poseidon even if there is no production. Poseidon will have a reserve report prepared with respect to the leases which is subject to Cheniere California's acceptance. The principal amount of the production payment and the required minimum yearly payments are subject to adjustment based on the results of the reserve report. Subject to the satisfaction of certain conditions by Poseidon and/or Cheniere, it is anticipated that the closing of the purchase will occur during the second quarter of 1997. There can be no assurance that Cheniere California will successfully consummate such transactions. Moreover, if such transactions are consummated, Cheniere California expects that development of the reserves will not occur for at least four years. There can be no assurance that the reserves will be successfully developed or will yield sufficient quantities of oil and gas to be economically viable.

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

BUSINESS STRATEGY

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

. FOCUS ON FEW PROJECTS WITH LARGE RESERVE POTENTIAL.

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

Offshore California. Cheniere California has signed a Purchase and Sale Agreement with Poseidon to acquire Poseidon's 60% working interest in six undeveloped leases in the Bonito Unit of the Pacific Outer Continental Shelf (OCS) Offshore Santa Barbara County, California. Poseidon estimates that the net provided undeveloped reserves attributable to its interests are approximately 47 million barrels of oil equivalent. Subject to the satisfaction of certain conditions by Poseidon and/or Cheniere, it is anticipated that the closing of the purchase will occur during the second quarter of 1997. Moreover, if the transactions are consummated, Cheniere California expects that development of the reserves will not occur for at least four years.

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- . MAINTAIN A SIGNIFICANT WORKING INTEREST IN EACH PROJECT. Cheniere Operating has the right to earn up to a 50% participation in the 3-D Joint Venture. Under the terms of the Exploration Agreement, Cheniere Operating must timely meet its payment obligations to the 3-D Joint Venture in order to reach a 50% participation. Cheniere Operating 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 Cheniere Operating has the right to earn up to a 50% participation, in a new proprietary 3-D seismic exploration project that Cheniere Operating believes will be the largest of its kind crossing the shoreline within the Louisiana Transition Zone. The Survey AMI covers approximately 255 square miles situated onshore and offshore over the most westerly 28 miles of the shoreline in West Cameron Parish, Louisiana.

The 3-D Joint Venture must obtain permits or similar rights to survey the areas located within the Survey AMI. Currently, the 3-D Joint Venture has rights to Survey 51,360 net acres of Louisiana State Waters, pursuant to an exclusive permit, and certain privately held areas and Federal OCS acreage which together constitute approximately 84% 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." Cheniere Operating 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. A seismic data acquisition contract was signed and acquisition of data commenced in September, 1996. Prior to discontinuing operations in late November due to weather conditions, 28 square miles of data had been acquired. Zydeco, the program operator, anticipates that work on the project will resume in April 1997.

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 \$13.5 million, and Seismic Costs greater than \$13.5 million will be borne equally by Cheniere Operating and Zydeco. "Seismic Costs" are defined in the Exploration Agreement to include the following, inter alia: acquiring and processing seismic data; turnkey contracts; legal costs; options to lease land and leases of land;

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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 including 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 might have been reduced to \$1.0 million under certain circumstances described above).

On November 27, 1996, Cheniere Operating and Zydeco amended the Exploration Agreement between the two entities relating to the 3-D Joint Venture whereby the schedule for payment of Seismic Funds defined by the Exploration Agreement and its amendments from Cheniere Operating to Zydeco is suspended. The new amendment calls for Cheniere Operating to furnish funds to maintain a \$1,000,000 balance in the Seismic Fund account and for Cheniere Operating to resume the payment schedule within thirty days of Zydeco's notification. The suspension of payment of Seismic Funds is intended to better align the payment schedule with Zydeco's need for such funds. Under the revised agreement, Cheniere Operating expects to fund an additional \$7.5 million of Seismic Fund payments during the final three quarters of its fiscal year ending August 31, 1997. At December 31, 1996, Cheniere Operating had paid \$6 million to the Joint Venture Account. Cheniere Operating intends to make its future payments under the amended Exploration Agreement as and when they are due, however, neither Cheniere Operating nor Cheniere currently has sufficient capital to cover such payments and there can be no assurance that Cheniere Operating or Cheniere will successfully secure the necessary funds.

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

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

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

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

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

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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 Cheniere Operating and Zydeco.

Location and Hydrocarbon Potential of the Survey Area

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

The Louisiana Transition Zone contains the Miocene Trend which has produced many of the largest oil and gas fields in the continental United States and its territorial waters. Objectives within the Miocene Trend have excellent reservoir characteristics and have historically exhibited multiple pay zones, which can allow a single strategically placed well bore to drain multiple reservoirs. Given the relatively low level of historical exploration and the high recovery factors characterizing the Louisiana Transition Zone, Cheniere Operating 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.

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Immediately to the south of the Survey AMI, 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 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 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") 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 21,000 acres of Federal offshore leases located within the Survey AMI. Although Zydeco has no exclusive rights regarding leases in the Federal waters, several offshore lease blocks held by industry and covered by the Survey are scheduled to expire within the next year and may then be available for leasing.

Onshore Area -- Prospective Permits, Lease Options, and Farmouts. Zydeco is in negotiations to obtain variously, farmouts, seismic permits or lease options, with owners of the mineral interests covering approximately 27,000 additional acres of privately owned lands lying under the onshore portion of the Survey AMI ("Onshore Area"). The outcome of these discussions will affect the exact delineation of the areas which will be subject to the Survey within the Survey AMI. As of this date, seismic permits or options covering portions of the Onshore Area have already been obtained.

Technological Aspects of 3-D Seismic Shoot and Prospect Generation

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

south transects (up to 10 miles) to improve the quality of deep data.

Data Transmission, Processing and Interpretation. Data will be transferred daily from the field crew to Zydeco's headquarters in Houston, where it will undergo nearly real-time processing. This procedure will allow Zydeco to closely monitor 3-D data quality and make adjustments to the acquisition parameters if necessary. This new technology also significantly reduces the delay time between the Survey itself and ultimate drilling decisions. In combination with a reduced cost design for field data acquisition, Zydeco will employ a proven technology, 3-D prestack migration, seeking to obtain superior quality subsurface images. To maximize quality control and minimize delays Zydeco will process the data in-house. Having completed seismic processing, Zydeco will also employ state of the art Computer Aided Exploration (CAEX) interpretation techniques to locate and define drilling prospects.

Schedule for the 3-D Joint Venture

The Louisiana Seismic Permit, whose primary 18 month term expires in August 1997, may be extended at Zydeco's option until February 1998 by payment of an additional fee of \$391,876.80. If this fee is required to be paid, it will be included as a Seismic Cost under the Exploration Agreement. Zydeco presently plans to adhere to the schedule summarized below:

<S>	<C>
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 and Interpretation and Identify Prospects
4th Quarter 1997 - 1st Quarter 1998	Nominate and Bid State Leases, Exercise Lease Options Onshore; Propose, Contract for Drilling, and Commence Drilling of First Group of Prospects

Under the terms of the Louisiana Seismic Permit, the 3-D Joint Venture will be liable to pay penalties of \$783,753.60 in the event it fails to (i) complete the acquisition of 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 Cheniere Operating. 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 Cheniere Operating's interest in the Joint Venture.

Zydeco and Cheniere Operating 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 Cheniere Operating, 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

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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.

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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.

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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 charterers 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.

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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

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

LEGAL PROCEEDINGS

The Company is not involved in any litigation.

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MANAGEMENT

OFFICERS AND DIRECTORS

The executive officers and directors of Cheniere are as follows:

Name	Age	Title
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.....	44	Secretary and Director
Efrem Zimbalist III..	49	Director

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

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

DIRECTOR COMPENSATION

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

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

Walter L. Williams, Vice Chairman of Cheniere, began receiving a salary of \$120,000 per year on September 1, 1996. By resolution of the Board of Directors of Cheniere dated July 3, 1996, Cheniere granted to Mr. Williams certain options to purchase shares of the Common Stock as described below. In addition, Cheniere 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 Cheniere, began receiving a salary of \$90,000 per year on July 16, 1996, the date of his appointment as an officer of Cheniere. By resolution of the Board of Directors of Cheniere dated July 23, 1996, Cheniere 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 options to purchase Common Stock made during the fiscal year ended August 31, 1996 to each of the named executive officers.

<TABLE>
<CAPTION>

<S>	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Terms(%) / (1) /	
	<C>	<C>	<C>	<C>	<C>	<C>
	Number of Securities Underlying Options Granted(#)	% of Total Options Granted to Employees	Exercise or Base Price (\$/sh)	Expiration Date	5% Appreciation(\$)	10% Appreciation(\$)

Name						
William D. Forster..	-	-	-	-	-	-
Walter L. Williams..	75,000/(2)/	25.0	3.00	6/1/01	76,522	173,601
	75,000/(3)/	25.0	3.00	6/1/01	91,598	213,461
Keith F. Carney.....	37,500/(4)/	12.5	3.00	7/16/01	38,261	86,801
	37,500/(4)/	12.5	3.00	7/16/01	45,799	106,731
	37,500/(4)/	12.5	3.00	7/16/01	53,714	128,654
	37,500/(4)/	12.5	3.00	7/16/01	62,024	152,769

- /(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 Cheniere'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)/ Cheniere 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 options to purchase Common Stock as of August 31, 1996 for each of the named executive officers.

<TABLE>
<CAPTION>

Name	Number of Securities Underlying Unexercised Options at 8/31/96 (#)		Value of Unexercised In-the-Money Options at 8/31/96 (\$)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
William D. Forster..	-	-	-	-
Walter L. Williams..	-	150,000	-	37,500/(1)/
Keith F. Carney.....	-	150,000	-	37,500/(1)/

</TABLE>

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

CERTAIN RELATIONSHIPS AND TRANSACTIONS WITH MANAGEMENT

BSR Investments, Ltd. ("BSR"), an entity holding approximately 21.8% 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 Cheniere. Mr. Souki has been engaged, from time to time, as a consultant to BSR. In addition, BSR has in the past provided certain financial advisory and other services to the Company on an arm's length basis. Mr. Souki disclaims beneficial ownership of all shares held by BSR.

DIRECTOR LIABILITY

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

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

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

COMMON STOCK

As of January 15, 1997, there were 11,942,515 shares of the Common Stock outstanding. All of such outstanding shares of Common Stock are fully paid and nonassessable. Each share of the Common Stock has an equal and

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

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

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

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

PREFERRED STOCK

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

WARRANTS

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

Cheniere 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. In connection with the payment of an additional promissory note to one such investor, Cheniere has issued to such investor an additional warrant to purchase 64,500 shares of the Common Stock (on terms similar to the June Warrants) which expires on June 14, 1999. (See "Management Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources.")

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

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

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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, Cheniere sold 100,000 units pursuant to Regulation S, each such unit consisting of 5 shares of the Common Stock and a warrant to purchase one share of the Common Stock. Each such warrant is exercisable on or before September 1, 1999 at an exercise price of \$3.125 per share (subject to customary anti-dilution adjustments).

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

POSSIBLE ANTI-TAKEOVER PROVISIONS

The Amended and Restated Certificate of Incorporation of Cheniere (the "Charter") contains certain provisions that might be characterized as anti-takeover provisions. Such provisions may render more difficult certain possible takeover proposals to acquire control of Cheniere and make removal of management of Cheniere more difficult.

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

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

In addition, William D. Forster, President and Chief Executive Officer of Cheniere, and BSR Investments, Ltd. ("BSR"), an entity under the control of a member of the immediate family of Charif Souki, Secretary and a director of Cheniere, own in the aggregate approximately 45.6% of the outstanding shares of the Common Stock. Accordingly, it is likely that Mr. Forster and BSR will have the ability to effectively prevent or cause a change in control of Cheniere.

TRANSFER AGENT AND REGISTRAR

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

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SELLING STOCKHOLDERS

The Registration Statement has been filed under the Securities Act of 1933, as amended (the "Securities Act") to afford the holders of the Common Stock listed in the table below (in such capacity, the "Selling Stockholders") the opportunity to sell such Common Stock in a public transaction. Cheniere will from time to time supplement or amend this Prospectus to (i) add any holder of the Common Stock or (ii) reflect any additional required information concerning any Selling Stockholders or concerning any transfers other than an open market transfer effected through a broker.

<TABLE>
<CAPTION>

<S> <C>	Beneficial Ownership on the Date Hereof		<C>	Beneficial Ownership
	<C>	<C>		After Sale*
Percent of Name Class	Number of Shares	Percent of Class	Number of Shares to be Offered	Number of Shares
-----	-----	-----	-----	-----
Apex Investment Fund Ltd. 2.8	403,400	3.4	70,000	333,400
Bemel & Ross Profit Sharing 0	10,000	**	10,000	0
Robert Bowden 0	10,000	**	10,000	0
Martin Brander 0	15,000	**	15,000	0
Jacqueline B. Brandwynne 0	100,000	**	100,000	0
Cinco de Mayo, Ltd. 0	30,000	**	30,000	0
Ronald W. Cochran 0	20,000	**	20,000	0
Joseph F. Cullman III 0	200,000	1.7	200,000	0
Murray A. Decoteau, DDS 0	100,000	**	100,000	0
Peter T. Dixon, Trustee for U/Art 0	35,000	**	35,000	0
16 u/w for W. Palmer Dixon FBO Peter Dixon				
Peter T. Dixon, Trustee for U/Art 0	35,000	**	35,000	0
16 u/w for W. Palmer Dixon FBO Palmer Dixon				
Bryan Ezralow TTEE of the Bryan 0	30,000	**	30,000	0
Ezralow 1994 Trust Marc Ezralow 0	30,000	**	30,000	0
Marshall Ezralow TTEE of the 0	40,000	**	40,000	0
Ezralow Family Trust Allen Finkelstein 0	30,000	**	30,000	0
Gail Daly Forster/1/ 0	120,000	1.0	120,000	0
Gail Daly Forster and John 0	100,000	**	100,000	0
Marshall Forster TTEES u/a 8/22/78 by William H. Forster/2/ William Forster Family Trust/3/ 0	120,000	1.0	120,000	0
Ralph O. Hellmold 0	20,000	**	20,000	0
Beth Hoemke 0	20,000	**	20,000	0
Sandra J. Kessler 0	145,000	1.2	145,000	0
Sole and Separate Property Ted Koutsoubos 0	50,000	**	50,000	0
Andrew Lessman 0	50,000	**	50,000	0
Michael Marcus 0	40,000	**	40,000	0
Alan, Mark & Charlen J. Mark 0	8,000	**	8,000	0
Arden Merback 0	15,000	**	15,000	0
Eli Moshen 0	15,000	**	15,000	0
Ostis Ventures, Ltd. 0	144,211	1.2	144,211	0

Brooke A. Peterson 0	20,000	**	20,000	0
Pierre Phillippine 0	30,000	**	30,000	0
Bert Rogel, Esq. in trust for 0	90,000	**	90,000	0
Estate of Sharon Heinz Tingle Alan Sturm **	180,000	1.5	150,000	30,000
Diana Venegas 0	50,000	**	50,000	0
Vincente Holdings, Ltd. 0	250,000	2.1	250,000	0
Vivaldi, Ltd. 0	120,000	1.0	120,000	0
Michael J. Wagstaff 0	2,500	**	2,500	0

</TABLE>

* Assumes the sale of all shares of the Common Stock being offered by the registration statement of which this Prospectus is a part.

** Less than 1%

- (1) Gail Daly Forster is the mother of William D. Forster, President, Chief Executive Officer and a director of Cheniere.
- (2) Gail Daly Forster and John Marshall Forster TTEEs u/a 8/22/78 by William H. Forster is a trust for the benefit of Mr. Forster's mother of which trust Mr. Foster ia a 20% remainderman. Mr. Foster disclaims beneficial ownership of the shares of the Common Stock held by such trust.
- (3) The William Forster Family Trust is a trust for the benefit of the descendants of Mr. Forster's father. Mr. Forster disclaims beneficial ownership of the shares of Common Stock held by such trust.

Cheniere has agreed, among other things, to bear all expenses (other than underwriting discounts and commissions, fees and expenses of investment bankers and brokerage commissions) incurred in connection with the registration and sale of the Common Stock covered by this Prospectus, including, without limitation, all registration, listing and qualification fees, printers and accounting fees and fees and disbursements of counsel to Cheniere.

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PRINCIPAL STOCKHOLDERS

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

<TABLE>
<CAPTION>

NAME OF BENEFICIAL OWNER -----	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING	
	NUMBER -----	PERCENTAGE OF SHARES OUTSTANDING -----
<S>	<C>	<C>
William D. Forster	2,846,211/ (1) /	23.8%
BSR Investments, Ltd.	2,602,000	21.8
Charif Souki	0/ (2) /	
Walter L. Williams	30,000/ (3) /	.3
Keith F. Carney	0/ (3) /	-
Efrem Zimbalist III	20,000	.2
All directors and executive officers as a group (5 persons)..	2,896,211/ (1) / (2) /	24.3

</TABLE>

- (1) Does not include 100,000 shares held by a trust for the benefit of Mr. Forster's mother of which trust Mr. Forster is a 20% remainderman and of which shares he disclaims beneficial ownership.
- (2) Does not include 2,602,000 shares held by BSR Investments, Ltd., an entity under the control of a member of Mr. Souki's immediate family, of which shares Mr. Souki disclaims beneficial ownership.
- (3) Does not include 150,000 shares of the Common Stock issuable upon

the exercise of options, not exercisable within 60 days of the date of this Prospectus, held by each of Mr. Williams and Mr. Carney.

PLAN OF DISTRIBUTION

The shares of the Common Stock offered hereby are being offered directly by the Selling Stockholders. The sale of the Common Stock may be effected by the Selling Stockholders from time to time in transactions in the over-the-counter market, in negotiated transactions or a combination of such methods of sale, in each such case, at fixed prices which may be changed, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices. The Selling Stockholders may effect such transactions by selling Common Stock to or through broker-dealers, and such broker-dealers may receive compensation in the form of underwriting discounts, concessions or commissions from Selling Stockholders and/or purchasers of Common Stock for whom such broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer may be in excess of customary commissions). Cheniere will keep this Registration Statement or a similar registration statement effective until the earliest to occur of (i) the date that all securities registered pursuant to the Registration Statement of which this Prospectus is a part have been disposed of in accordance with the plan of disposition indicated herein, (ii) the date that all securities registered pursuant to the Registration Statement of which this Prospectus is a part have become eligible for sale pursuant to Rule 144(k) under the Securities Act, or (iii) September 17, 1998.

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

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

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

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

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

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

See "Selling Stockholders".

LEGAL MATTERS

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

EXPERTS

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

reports.

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

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AVAILABLE INFORMATION

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

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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

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CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AUGUST 31, 1996

<TABLE>
<CAPTION>

<S>	<C>
ASSETS	
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	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
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.

F-2

CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 1996

<TABLE>
<CAPTION>

<S>	<C>
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.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED AUGUST 31, 1996

<TABLE>
<CAPTION>

	Common Stock		Additional Paid-In Capital	Retained Deficit	Notes Receivable Stockholders	Total Stockholders' Equity
	Shares	Amount				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
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

</TABLE>

The accompanying notes are an integral part of this report.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 1996

<S>	<C>
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
	=====

</TABLE>

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

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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.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 1996

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.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 1996

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

<S>	<C>
Furniture and Fixtures	\$26,006
Office Equipment	24,427

	50,433
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 of Reorganization (the "Reorganization Agreement") dated April 16, 1996 between Cheniere Operating and Bexy Communications, Inc., a publicly held Delaware corporation ("Bexy"). Under the terms of the Reorganization Agreement, Bexy transferred its existing assets and liabilities to Mar Ventures, Inc., its wholly-owned subsidiary ("Mar Ventures"), Bexy received 100% of the outstanding shares of Cheniere Operating and the former shareholders of Cheniere Operating received approximately 8.3 million newly issued shares of Bexy common stock, representing 93% of the then issued and outstanding Bexy shares. Immediately following the Reorganization, the Original Bexy Stockholders held the remaining 7% of the outstanding Bexy stock. In accordance with the terms of the Reorganization Agreement, Bexy changed its name to Cheniere Energy, Inc. Subsequently, the Company distributed the outstanding capital stock of Mar Ventures to the original holders of Bexy common stock.

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.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 1996

NOTE 5 - INVESTMENT IN JOINT VENTURE (CONTINUED)

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.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 1996

NOTE 7- INCOME TAXES (CONTINUED)

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:

Deferred Tax Assets	
Loss Carryforwards	\$ 347,000
Less: Valuation Allowance	(347,000)

Net Deferred Tax Assets	\$ -
	=====

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).

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 1996

NOTE 8- WARRANTS (CONTINUED)

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).

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 1996

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.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 1996

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.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	NOVEMBER 30, 1996	AUGUST 31, 1996
	-----	-----
ASSETS		
<S>	<C>	<C>
CURRENT ASSETS		
Cash	\$ 324,550	\$ 1,093,180
Prepaid Expenses and Other Current Assets	6,622	4,800
	-----	-----
TOTAL CURRENT ASSETS	331,172	1,097,980
	-----	-----
PROPERTY AND EQUIPMENT, NET	50,988	46,830
	-----	-----
OTHER ASSETS		
Investment	6,000,000	4,000,000
Security Deposit	500	500
	-----	-----
TOTAL OTHER ASSETS	6,000,500	4,000,500
	-----	-----
TOTAL ASSETS	\$ 6,382,660	\$ 5,145,310
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 374,184	\$ 292,894
Loans Payable	215,000	425,000
Advances for Issuance of Common Stock	384,985	--
Advance from Officers	961	961
	-----	-----
TOTAL LIABILITIES	975,130	718,855
	-----	-----
STOCKHOLDERS' EQUITY		
Common Stock - \$.003 Par Value		
Authorized 20,000,000 shares; 10,624,794 and 9,931,767		
Issued and Outstanding at November 30, 1996 and		
August 31, 1996, respectively	31,875	29,795
Preferred Stock - Authorized 1,000,000 shares;		
None Issued and Outstanding	--	--
Additional Paid-in-Capital	6,757,501	5,626,840
Retained Deficit	(1,381,846)	(1,230,180)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	5,407,530	4,426,455
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,382,660	\$ 5,145,310
	=====	=====

</TABLE>

See Accompanying Notes to Financial Statements.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

	For the Three Months Ended November 30,	
	1996	1995
	-----	-----
<S>	<C>	<C>
Revenue	\$ -	\$ 2,522
	-----	-----

General and Administrative Expenses	145,928	82,614
Interest Expense	7,239	-
	-----	-----
	153,167	82,614
	-----	-----
Loss from Operations Before Other Income	(153,167)	(80,092)
Interest Income	1,501	606
	-----	-----
Loss From Continuing Operations Before Income Taxes	(151,666)	(79,486)
Provisions for Income Taxes	-	-
	-----	-----
Net Loss	\$ (151,666)	\$ (79,486)
	=====	=====
Loss Per Share	\$ (.01)	\$ (.03)
	=====	=====
Weighted Average Number of Shares Outstanding	10,310,670	1,659,203
	=====	=====

</TABLE>

See Accompanying Notes to Financial Statements.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED NOVEMBER 30, 1996

STOCKHOLDERS'	COMMON STOCK		ADDITIONAL	RETAINED	TOTAL
	SHARES	AMOUNT	PAYED-IN CAPITAL	DEFICIT	EQUITY
	-----	-----	-----	-----	-----
--					
<S>	<C>	<C>	<C>	<C>	<C>
Balance - September 1, 1996	9,931,767	\$29,795	\$5,626,840	\$(1,230,180)	\$4,426,455
Sales of Shares 1,290,501	588,027	1,765	1,288,736	-	
Conversion of Debt 210,000	105,000	315	209,685	-	
Expenses Related to Offering (367,760)	-	-	(367,760)	-	
Net Loss (151,666)	-	-	-	(151,666)	
	-----	-----	-----	-----	-----
--					
Balance - November 30, 1996	10,624,794	\$31,875	\$6,757,501	\$(1,381,846)	\$5,407,530
	=====	=====	=====	=====	

</TABLE>

See Accompanying Notes to Financial Statements.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED NOVEMBER 30, 1996

	<C>
<S>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Loss	\$ (151,166)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:	
Depreciation	2,023
(Increase) in Prepaid Expenses and Other Current Assets	(1,822)
Increase in Accounts Payable and Accrued Expenses	81,290

NET CASH USED BY OPERATING ACTIVITIES	(70,175)

CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Furniture, Fixtures and Equipment	(6,180)
Investment	(2,000,000)

NET CASH USED BY INVESTING ACTIVITIES	(2,006,180)

CASH FLOWS FROM FINANCING ACTIVITIES:	

Sale of Common Stock	1,290,500
Offering Costs	(367,760)
Advances for Issuance of Common Stock	384,985

NET CASH PROVIDED BY FINANCING ACTIVITIES	1,307,725

NET DECREASE IN CASH	(768,630)

CASH - BEGINNING OF YEAR	1,093,180

CASH - NOVEMBER 30, 1996	\$ 324,550
	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash Paid for Interest	\$ 8,570
	=====
Cash Paid for Income Taxes	\$ -
	=====

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCIAL ACTIVITIES:

Common stock totalling 105,000 shares was issued upon the conversion of \$210,000 of debt.

</TABLE>

See Accompanying Notes to Financial Statements.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior period to conform to the current periods presentation.

For further information refer to the financial statements and footnotes included in the Registrant's Annual Report on Form 10-K for the year ended August 31, 1996.

The results of operations for any interim period are not necessarily indicative of the results to be expected for the full fiscal year ended August 31, 1997.

The accompanying consolidated financial statements include the accounts of Cheniere Energy, Inc. ("The Company") and its 100% owned subsidiary, Cheniere Energy Operating Co., Inc. ("Cheniere Operating"). 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.

b) Loss Per Share

Loss per share is based on the weighted average number of shares of common stock outstanding during the period.

NOTE 2 - 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.

Effective September 14, 1996, the Company failed to pay all amounts due and payable under the Notes by the Maturity Date. Certain of the

noteholders converted their notes into 105,000 shares of common stock.

An individual note holder has purchased the promissory notes of the remaining note holders. As per the terms of the notes, the holder is also entitled to receive up to an aggregate of 21,500 additional warrants 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. (See Note 6 - Subsequent Events).

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

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1996

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).

NOTE 2-WARRANTS (CONTINUED)

In connection with the July and August 1996 placement of 508,400 shares of Common Stock, the Company issued 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 3-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 4-COMMON STOCK RESERVED

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

The Company has reserved 319,444 and 2/3 shares of Common Stock for insurance upon the exercise of outstanding options.

NOTE 5-COMMITMENTS AND CONTINGENCIES

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

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NOTE 5-COMMITMENTS AND CONTINGENCIES (CONTINUED)

- 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. (See Note 6-Subsequent Events) 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.
- 3) As of November 30, 1996, the Company has an investment of \$6,000,000 in a 3-D seismic exploration project in south Louisiana (the "3-D Joint Venture ") pursuant to an Exploration Agreement (the "Exploration Agreement") between the Company and Zydeco Exploration, Inc. ("Zydeco"). Under the terms of the Exploration Agreement, the Company is required to make additional monthly payments aggregating, at least, \$7.5 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-SUBSEQUENT EVENTS

During the month of December 1996, the Company issued 1,317,721 shares of common stock for gross proceeds of \$3,169,875. Proceeds received are intended to fund future commitments to the 3-D Joint Venture.

Certain of these proceeds aggregating \$384,895 were received during the quarter ended November 30, 1996, and were classified as Advances for Issuance of Common Stock.

Also, on December 14, 1996, the Company repaid the \$215,000 loan payable and related accrued interest. Upon repaying the loan, the Company issued 64,500 warrants in accordance with the loan agreement.

On December 19, 1996, Cheniere Energy California, Inc. ("Cheniere California"), a wholly-owned subsidiary of the Company, signed a Purchase and Sale Agreement with Poseidon Petroleum, LLC ("Poseidon") to acquire Poseidon's 60% working interest in six undeveloped leases in the Bonito Unit of the Pacific Outer Continental Shelf (OCS) off Santa Barbara County, California (which is equal to a 47% working interest in the Bonito Unit). Poseidon estimates that the net proved undeveloped reserves attributable to its interests are approximately 47 million barrels of oil equivalent. As payment for this interest, Poseidon will receive production payments aggregating \$18,000,000 to be paid as three percent of the production revenue from the leases being assigned. Minimum prepayments of the annual production payment shall be made at the rate of \$540,000 per year, payable in advance. Poseidon will have a reserve report prepared with respect to the leases which is subject to Cheniere California's acceptance. The principal amount of the production payment and the required minimum yearly payments are subject to adjustment based on the results of the reserve report. Subject to the satisfaction of certain conditions, it is anticipated that closing of the purchase will occur during the second calendar quarter of 1997.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
 CONSOLIDATED BALANCE SHEET (UNAUDITED)
 DECEMBER 31, 1996

<TABLE> <S>	<C>
ASSETS	
CURRENT ASSETS	
Cash	\$ 2,419,264
Prepaid Expenses And Other Current Assets	6,632

TOTAL CURRENT ASSETS	2,425,896

PROPERTY AND EQUIPMENT, NET	50,315

OTHER ASSETS	
Investment	6,000,000

Security Deposit	500
TOTAL OTHER ASSETS	6,000,500
TOTAL ASSETS	\$ 8,476,711
=====	
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	\$ 261,838
Advance from Officers	961
TOTAL LIABILITIES	262,799
=====	
STOCKHOLDERS' EQUITY	
Common Stock - \$.003 Par Value Authorized 20,000,000 shares; 11,942,515 Issued and Outstanding	35,828
Preferred Stock - Authorized 1,000,000 shares; None Issued and Outstanding	-
Additional Paid-in-Capital	9,601,817
Retained Deficit	(1,423,733)
TOTAL STOCKHOLDERS' EQUITY	8,213,912
=====	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,476,711
=====	

</TABLE>

See Accompanying Notes to Financial Statements.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE FOUR MONTHS ENDED DECEMBER 31, 1996

<TABLE>	<C>
<S>	<C>
Revenue	\$ -
General and Administrative Expenses	192,330
Interest Expense	8,552
	200,882
Loss from Operations Before Other Income	(200,882)
Interest Income	7,329
Loss From Operations Before Income Taxes	(193,553)
Provision for Income Taxes	-
Net Loss	\$ (193,553)
Loss Per Share	\$ (.02)
Weighted Average Number of Shares Outstanding	10,588,060
	=====

</TABLE>

See Accompanying Notes to Financial Statements.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE FOUR MONTHS ENDED DECEMBER 31, 1996

<TABLE>	COMMON STOCK		ADDITIONAL	RETAINED	TOTAL
STOCKHOLDERS'	-----		PAID-IN		
	SHARES	AMOUNT	CAPITAL	DEFICIT	EQUITY
	-----	-----	-----	-----	-----
--					
<S>	<C>	<C>	<C>	<C>	<C>
Balance - September 1, 1996	9,931,767	\$29,795	\$5,626,840	\$ (1,230,180)	\$4,426,455
Sales of Shares 4,460,375	1,905,748	5,718	4,454,657	-	
Conversion of Debt 210,000	105,000	315	209,685	-	
Expenses Related to Offering (689,365)	-	-	(689,365)	-	
Net Loss (193,553)	-	-	-	(193,553)	
	-----	-----	-----	-----	-----
--					
Balance - December 31, 1996	11,942,515	\$35,828	\$9,601,817	\$ (1,423,733)	\$8,213,912

=====

=====

</TABLE>

See Accompanying Notes to Financial Statements.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE FOUR MONTHS ENDED DECEMBER 31, 1996

<TABLE>
<CAPTION>

<S>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Loss	\$ (193,553)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:	
Depreciation	2,695
(Increase) in Prepaid Expenses and Other Current Assets	(1,832)
Decrease in Accounts Payable and Accrued Expenses	(31,056)

NET CASH USED BY OPERATING ACTIVITIES	(223,746)

CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Furniture, Fixtures and Equipment Investment	(6,180)
	(2,000,000)

NET CASH USED BY INVESTING ACTIVITIES	(2,006,180)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of Loan	(215,000)
Sale of Common Stock	4,460,375
Offering Costs	(689,365)

NET CASH PROVIDED BY FINANCING ACTIVITIES	3,556,010

NET DECREASE IN CASH	1,326,084
CASH-BEGINNING OF YEAR	1,093,180

CASH-NOVEMBER 30, 1996	\$2,419,264
	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash Paid for Interest	\$ 8,552
	=====
Cash Paid for Income Taxes	\$ --
	=====

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCIAL ACTIVITIES:
Common stock totalling 105,000 shares was issued upon the conversion of
\$210,000 of debt.

See Accompanying Notes to Financial Statements.

</TABLE>

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING

a) Basis of Presentation
The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior period to conform to the current periods

presentation.

For further information refer to the financial statements and footnotes included in the Registrant's Annual Report on form 10-K for the year ended August 31, 1996.

The results of operations for any interim period are not necessarily indicative of the results to be expected for the full fiscal year ended August 31, 1997.

The accompanying consolidated financial statements include the accounts of Cheniere Energy, Inc. ("The Company") and its 100% owned subsidiaries, Cheniere Energy Operating Co., Inc. ("Cheniere Operating") and Cheniere Energy California, Inc. ("Cheniere California"). 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.

b) Line of Business

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.

c) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

d) Concentration of Credit Risk

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

e) 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 five to 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.

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NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

f) 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.

g) 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.

h) Loss Per Share

Loss per share is based on the weighted average number of shares of common stock outstanding during the period.

NOTE 2-PROPERTY AND EQUIPMENT

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

Furniture and fixtures	\$29,914
Office Equipment	26,700

	56,614
Less: Accumulated Depreciation	6,299

Property and Equipment-Net	\$50,315
	=====

Depreciation expense for the three months ended December 31, 1996 was \$2,695.

NOTE 3-REORGANIZATION

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

Immediately following the Reorganization, the Original Bexy Stockholders held the remaining 7% of the outstanding Bexy stock. In accordance with the terms of the Reorganization Agreement, Bexy changed its name to Cheniere Energy, Inc. Subsequently, the Company distributed the outstanding capital stock of Mar Ventures to the original holders of Bexy common Stock.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE 4 - 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"), and 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 84% 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.

As of December 31, 1996 the Company has an investment of \$6,000,000 in the joint venture. Under the terms of the Exploration Agreement, the Company is still required to make monthly payments to the 3-D Joint Venture aggregating, at least, \$7.5 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 5 - NOTES PAYABLE

During 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 were 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.

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.

Effective as of September 14, 1996, certain of the note holders 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.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE 5 - NOTES PAYABLE (CONTINUED)

In addition, an individual note holder purchased the promissory notes of the remaining note holders. The holder thus held notes totalling \$215,000. As per the terms of the notes (as described above), the interest rate on these outstanding notes increased to 13% per annum, effective September 14, 1996. The holder of the notes was also entitled to receive up to an aggregate of 21,500 additional warrants 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. On December 13, 1996, the Company repaid the \$215,000 notes and related accrued interest. Upon repaying the notes, the Company issued 64,500 warrants in accordance with the loan agreement.

NOTE 6 - INCOME TAXES

At December 31, 1996, the Company had net carryforward losses of approximately \$1,423,733. 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 December 31, 1996 are as follows:

Deferred Tax Assets	
Loss Carryforwards	\$484,000
Less: Valuation Allowance	(484,000)

Net Deferred Tax Assets	\$ -
	=====

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 7 - 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.

Effective September 14, 1996, the Company failed to pay all amounts due and payable under the Notes by the Maturity Date. Certain of the noteholders converted their notes into 105,000 shares of common stock.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE 7 - WARRANTS (CONTINUED)

An individual note holder purchased the promissory notes of the remaining note holders. As per the terms of the notes, the holder was also entitled to receive up to an aggregate of 21,500 additional warrants 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. On December 14, 1996, upon repaying the notes, the Company issued an additional 64,500 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 issued 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 8 - 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.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE 9 - 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 10 - COMMITMENTS AND CONTINGENCIES

- 1) The Company subleases its Houston, Texas headquarters from Zydeco under a month-to-month sublease.
- 2) On December 20, 1996, Cheniere California signed a Purchase and Sale Agreement with Poseidon Petroleum, LLC, ("Poseidon") to acquire Poseidon's 60% working interest in six undeveloped leases in the Bonito Unit of the Pacific Outer Continental Shelf (OCS) off Santa Barbara County California (which is equal to 47% of the working interest in the Bonito Unit). Poseidon estimates that the net proved undeveloped reserves attributable to its interest are approximately 47 million barrels of oil equivalent. As payment for this interest, Poseidon will receive production payments aggregating \$18,000,000 to be paid as three percent of the production revenue from the leases being assigned.

Poseidon will have a reserve report prepared with respect to the leases which is subject to Cheniere California's acceptance. The principal amount of the production payment and the required minimum yearly payments are subject to adjustment based on the results of the reserve report. Minimum prepayments from the annual production payment shall be made at the rate of \$540,000 per year, payable in advance. Subject to the satisfaction of certain conditions, it is anticipated that closing of the purchase will occur during the second quarter of 1997.

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

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

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BEXY COMMUNICATIONS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	For the Three Months Ended		For the Nine Months Ended	
	May 31, 1996	May 31, 1995	May 31, 1996	May 31, 1995
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
REVENUE	\$ 7,500	\$ 45,689	\$ 49,758	\$ 101,867
Cost of Programs and Distribution Fees	3,826	40,852	29,071	125,514
	-----	-----	-----	-----
	3,674	4,837	20,687	(23,647)
	-----	-----	-----	-----
EXPENSES:				
Advertising	2,042	-	10,101	225
Salaries	-	2,739	-	8,216
Consulting Fees to Majority Shareholder	21,000	-	59,500	-

General and Administrative	10,116	11,510	100,545	43,574
Depreciation	300	302	900	906
Interest	-	1,718	-	6,328
Professional Fees	13,158	1,811	35,144	6,066
Rent	3,645	10,406	11,443	26,381
	-----	-----	-----	-----
Total Expenses	50,261	28,486	217,633	91,696
	-----	-----	-----	-----
Other Income	540	-	1,819	4,162
	-----	-----	-----	-----
Net Loss	(46,047)	(23,649)	(195,127)	(111,181)
Net Loss per Share	(.02)	(.02)	(.10)	(.08)
	=====	=====	=====	=====
Weighted Average Number of Shares Outstanding	1,803,459	1,455,950	1,681,203	1,450,450

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BEXY COMMUNICATIONS, INC.

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

<TABLE>
<CAPTION>

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

</TABLE>
See notes to financial statements.

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BEXY COMMUNICATIONS, INC.

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

<TABLE>
<CAPTION>

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

Depreciation	850	348
Amortization of film costs	122,630	147,292
Issuance of stock for services	12,630	
Reserve for former employee receivables		98,015
Expenses paid by officer		420
Changes in operating assets and liabilities:		
Increase in accounts receivable	(22,151)	(13,049)
(Increase) decrease in program inventory	3,083	(488,857)
Increase in other assets	(2,121)	(6,451)
Increase (decrease) in accounts payable and accrued expenses	(24,149)	91,255
Decrease in cash overdraft		(4,565)
Increase (decrease) in accrued interest expense	10,030	(3,994)
Increase in deposits	2,000	
Net cash used by operating activities	(110,818)	(408,562)
CASH FLOWS FROM INVESTING ACTIVITIES -		
Capital expenditures	(2,577)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment on note payable	(2,038)	(200)
Borrowings from related party	38,000	344,000
Repayments to related party		(61,780)
Sale of common stock	49,975	
Contributions to capital		160,573
Net cash provided by financing activities	85,937	442,593
NET INCREASE (DECREASE) IN CASH	(27,458)	34,031
CASH, BEGINNING OF PERIOD	34,031	-0-
CASH, END OF PERIOD	\$ 6,573	\$ 34,031

</TABLE>

(Continued)

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BEXY COMMUNICATIONS, INC.

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

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

SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:

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

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

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

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

See accompanying notes to financial statements.

BEXY COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

2. PROGRAM INVENTORY

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

management's estimate of remaining gross revenues from all sources on an individual film basis.

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

<TABLE>
<CAPTION>

<S>	<C>
"Heartstoppers...Horror At The Movies" A two-hour television program hosted by George Hamilton	\$ 416,636
"Christmas at the Movies" - A one-hour television program hosted by Gene Kelly	106,000
"It's A Wonderful Life - A Personal Remembrance" hosted by Frank Capra, Jr.	41,786
"Feelin' Great" - 26 one-half hour episodes promoting a healthy lifestyle	275,000 -----
Total	839,422
Less: accumulated amortization	(269,922) -----
Program Inventory, Net	\$ 569,500 =====

</TABLE>

3. NOTE PAYABLE

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

<TABLE>
<CAPTION>

<S>	<C>
1995	\$ 85,000
1996	50,000
1997	50,000 -----
	\$185,000 =====

</TABLE>

4. NOTE PAYABLE TO RELATED PARTY

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

5. STOCK OPTION PLANS

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

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

6. COMMITMENTS AND CONTINGENCIES

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

In connection with the acquisition of a television series entitled

"Feelin' Great", the Company will pay to Hammond Productions three percent of the gross revenues derived from the distribution of the existing twenty-six episodes.

7. MANAGEMENT PLANS

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

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

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2,844,211 SHARES

CHENIERE ENERGY, INC.

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

PART II

Information Not Required in Prospectus

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

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

Accounting Fees and Expenses..... \$ 10,000.00

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

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Amended and Restated Certificate of Incorporation of Cheniere (the "Charter") eliminates the liability of directors of Cheniere to Cheniere or its stockholders (in their capacity as directors but not in their capacity as officers) to the fullest extent permitted by Section 102 of the Delaware General Corporation Law, as the same may be amended from time to time (the "DGCL"). Specifically, under Section 102(b)(7) of the DGCL, directors of Cheniere will not be personally liable to Cheniere or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to Cheniere or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

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

Section 145(b) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the

adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to be indemnified for such expenses which the court shall deem proper.

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

Article IX of Cheniere's By-laws contains detailed indemnification rights for Cheniere's directors, other employees and other agents. The By-laws provide for indemnification in accordance with the provisions of Section 145 of the DGCL.

The inclusion of the indemnification provisions in the Charter and Cheniere's By-laws may have the effect of reducing the likelihood of derivative litigation against directors, and may discourage or deter stockholders or

management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefitted Cheniere and its stockholders.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

In May and June 1996, Cheniere Operating issued 200 shares of its common stock (which were exchanged for 2,000,000 shares of the Common Stock following the Reorganization) to a group of "accredited investors" (as defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended (the "Securities Act")) pursuant to Rule 506 of Regulation D promulgated under the Securities Act ("Regulation D"). Cheniere Operating received net proceeds of \$2,883,000, net of offering costs, on cash sales of \$3,000,000.

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

In July and August 1996, Cheniere conducted an offering of Common Stock pursuant to Regulation S. Cheniere 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, Cheniere 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 December 31, 1996, Cheniere raised net proceeds of \$4,414,918 from the sale of equity to accredited investors pursuant to Regulation D and other investors pursuant to Regulation S. Some of the proceeds were used to fund a \$1 million payment on October 31, 1996 to the 3-D Joint Venture. Accredited investors who purchased shares pursuant to Regulation D during this period were granted Registration Rights with respect to 534,638 shares of the Common Stock. Cheniere intends to file a Registration Statement with respect to these shares within the near future.

In June 1996, Cheniere Operating borrowed \$425,000 (the "Bridge Loan") through a private placement of short term promissory notes. 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 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. The Noteholders were granted Registration Rights with respect to these shares, and the Company intends to file a Registration Statement with respect to these shares within the near future. In addition, 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 exchange for such notes, Cheniere Operating issued a new promissory note in the amount of \$215,000 to the Remaining Noteholder, which Cheniere Operating paid on December 13, 1996. The Remaining Noteholder also received 64,500 additional warrants to purchase shares of the Common Stock. Such additional warrants have an exercise price of \$3.00 per share and will be exercisable until June 14, 1999.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A. Exhibits

- 3.1 Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. ("Cheniere")/*/
- 3.2 By-laws of Cheniere/*/
- 4.1 Specimen Common Stock Certificate of Cheniere/*/
- 5.1 Opinion of Dewey Ballantine/*/
- 10.1 Exploration Agreement between FX Energy, Inc. (now known as Cheniere Energy Operating Co., Inc. ("Cheniere Operating")) and Zydeco Exploration, Inc./*/
- 10.2 First Amendment to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Operating) and Zydeco Exploration, Inc./*/
- 10.3 Second Amendment to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Operating) and Zydeco Exploration, Inc./*/
- 10.4 Form of Noteholders' Agreement ("Noteholders Agreement") between Cheniere Operating and the holders of promissory notes in the aggregate principal amount of \$425,000.00/*/
- 10.5 Form of Warrant Agreement governing warrants of Cheniere issued in exchange for warrants of Cheniere Operating (which were issued pursuant to the Noteholders Agreement)/*/
- 10.6 Asset Transfer, Assignment and Assumption Agreement between Bexy Communications, Inc. and Mar Ventures Inc./*/
- 10.7 Indemnification Agreement among Buddy Young, Cheniere, Cheniere Energy Operating Co., Inc. and the Stockholders of Cheniere Energy

- Operating Co., Inc. named therein/*/
10.8 Form of Warrant Agreement between Cheniere and each of C.M. Blair, W.M. Foster & Co., Inc. and Redliw Corp./*/
10.9 Consulting Agreement between Cheniere and Buddy Young/*/
10.10 Letter Agreement between Cheniere and Buddy Young regarding reverse splits of common stock of Cheniere, par value \$.003 per share (the "Common Stock")/*/
10.11 Form of Subscription Agreement for purchasers of Common Stock pursuant to pursuant to Rule 506 of Regulation D promulgated under the Securities Act of 1933
10.12 Fourth Amendment to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Operating) and Zydeco Exploration, Inc.
21.1 Subsidiaries of Cheniere/*/
23.1 Consent of Dewey Ballantine (included in Exhibit 5.1)/*/
23.2 Consent of Merdinger, Fruchter, Rosen & Corso, P.C./*/
23.3 Consent of Farber & Hass/*/
23.4 Consent of Merdinger, Fruchter, Rosen & Corso, P.C. to inclusion of financial statements for the fiscal year ended as of August 31, 1996./*/
24.1 Powers of Attorney included on signature page./*/

* Filed previously.

B. Financial Statement Schedules

None

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

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

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

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(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

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

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

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

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

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on the 21st day of January, 1997.

CHENIERE ENERGY, INC.

By: /s/ William D. Forster

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

Pursuant to the requirements of the Securities Act of 1933, this registration statement of which this prospectus is a part has been signed below by the following persons in the capacities indicated and on the 21st day of January, 1997.

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

/s/ * ----- Walter L. Williams	Vice-Chairman and Director
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/s/ * ----- Keith F. Carney	Chief Financial Officer and Treasurer
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/s/ * ----- Charif Souki	Secretary and Director
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/s/ * ----- Efrem Zimbalist III	Director
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*By: /s/ William D. Forster

 William D. Forster
 Attorney-in-Fact

</TABLE>

EXHIBIT INDEX

Exhibit No. -----	Description -----
3.1	Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. ("Cheniere")/*/
3.2	By-laws of Cheniere/*/
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- 23.1 Consent of Dewey Ballantine (included in Exhibit 5.1)**/
- 23.2 Consent of Merdinger, Fruchter, Rosen & Corso, P.C.**/
- 23.3 Consent of Farber & Hass/**/
- 23.4 Consent of Merdinger, Fruchter, Rosen & Corso, P.C. to inclusion of financial statements for the fiscal year ended as of August 31, 1996.**/
- 24.1 Powers of Attorney included on signature page.**/

* Filed previously.

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, Texas 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 or 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 to be issued to the undersigned shall be made and the Shares shall be delivered in accordance with the provisions of an Escrow Agreement (the "Escrow Agreement") to be entered into among United

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States Trust Company of New York (the "Escrow Agent"), the Company and the undersigned, the form of which is attached hereto as Exhibit A. The effective date for the issuance and sale of the Shares (the "Closing Date") shall be the first business day following the date on which the Escrow Agent distributes the Escrow Property (as defined in the Escrow Agreement) to the Company and the Buyer.

(c) SUBSCRIPTION PRICE. The subscription price of the Shares (the "Subscription Price") to be paid to the Company shall be U.S. \$2.00 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.

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(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, acknowledgments 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 and (iii) the Current Report on Form 8-K of the Company dated July 26, 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) and (iii) 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 in the documents described in clauses (i), (ii) and (iii) 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) and (iii) of Section 2(j) above and (iii) no representation has been made, and no information has

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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 bylaws of the Company, or any indenture, mortgage, deed of trust

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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

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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 if and 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

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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.

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(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

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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

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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 or 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

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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 1(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: _____

November 29, 1996

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

Re: Fourth 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, and that certain Third Amendment dated October 31, 1996 (as amended, 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, November 28, 1996, Cheniere had paid \$6,000,00.00. Under the Third Amendment to the Agreement, we substituted an alternate schedule for the remaining payments, which provided for payments as follows:

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Date ----	Amount -----
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

Funds in the Seismic Funds Account, an account set up at Bank One Texas, N.A. styled "Zydeco Exploration Inc. Seismic Joint Venture Account," are approximately \$895,000 at present.

The parties anticipate that field data acquisition will be temporarily suspended due to weather. Assuming a suspension, a minimum balance of \$1,000,000 in the Seismic Fund Account is adequate.

According, ZEI and Cheniere agree as follows:

1. Payments by Cheniere of additional Seismic Funds shall be suspended; provided, however, Cheniere shall from time to time furnish additional Seismic Funds sufficient to maintain the balance of the Seismic Fund Account at approximately \$1,000,000. Such funds shall be forwarded

within 10 days of request by ZEI. Should such funds not be forwarded within 20 days of a reminder notice, the default shall be treated as a Discontinuance under Section 5.

2. At any time before December 1, 1997, ZEI may direct Cheniere to resume payment of the Seismic Funds. Such notice shall stipulate the date the first resumed installment payment (that due on November 30, 1996 under the Third Amendment) is due. The date so specified shall be at least 30 days after delivery of notice to Cheniere.
3. The first resumed payment shall be reduced from its \$2,000,000 amount by payments Cheniere has made to replenish the Seismic Fund Account.
4. Unless longer periods between payments are specified by ZEI:
 - a) the second resumed payment (that of \$2,000,000 due January 31, 1996 under the Third Amendment) shall be due 60 days after the first resumed payment;
 - b) the third resumed payment (that of \$2,000,000 due February 28, 1997 under the Third Amendment) shall be due 90 days after the first resumed payment; and
 - c) the fourth resumed payment (that of \$1,500,000 due March 31, 1997 under the Third Amendment) shall be due 120 days after the first resumed payment.
5. The normal grace period shall apply to each resumed payment.
6. Should Zydeco not direct that installment payment of Seismic Funds be resumed by December 1, 1997, absent an agreement of the parties to the contrary, no further Seismic Funds shall be required under the Agreement.

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

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

Yours very truly,
ZYDECO EXPLORATION, INC.

By: /s/ W. Kyle Willis

Its: Vice President & Treasurer

ACCEPTED AND AGREED TO THIS
29TH DAY OF NOVEMBER, 1996.

CHENIERE ENERGY OPERATING CO., INC.

By: /s/ William D. Forster

Its: President

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