As filed with the Securities and Exchange Commission on March 14, 1997

Registration No.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

<TABLE>
<S> <C> <C>

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

</TABLE>

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	NUMBER OF SHARES TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE(2)
<S>	<C>	<C>	<C>	<C>
Common Stock, par value $0.003				

per share.....	839,639	$4.5205	$3,795,588.10	$1,150.18

</TABLE>

(1) Estimated solely for purposes of determining the registration fee pursuant to Rule 457 under the Securities Act of 1933.

(2) Calculated pursuant to Rule 457(a). 2,884,211 shares of Common Stock were previously registered pursuant to Registration Statement 333-10905 and in accordance with Rule 429 is being carried forward hereto. A registration fee of $3,127.00 (which was calculated using 1/29th of 1% of the proposed maximum aggregate offering price) was paid therewith. Remitted herewith is $1,150.18, representing the registration fee for the additional 839,639 shares of Common Stock (calculated using 1/33rd of 1% of the proposed maximum aggregate offering price) being registered on this Registration Statement.

PURSUANT TO RULE 429, THE PROSPECTUS CONTAINED IN THIS REGISTRATION STATEMENT WILL ALSO BE USED IN CONNECTION WITH THE OFFERING OF PREVIOUSLY REGISTERED SECURITIES PURSUANT TO THE COMPANY'S REGISTRATION STATEMENT (FILE NO. 333-10905). IN THE EVENT SUCH PREVIOUSLY REGISTERED SECURITIES ARE OFFERED PRIOR TO THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT, THEY WILL NOT BE INCLUDED ANY PROSPECTUS HEREUNDER.

PROSPECTUS

3,683,850 SHARES

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

This Prospectus relates to 3,683,850 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, to certain "accredited investors" (as defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended (the "Securities Act")), pursuant to Regulation D promulgated under the Securities Act, and to another investor pursuant to Regulation S 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 March 13, 1997, the last reported sale price of the Common Stock on the Bulletin Board was $5.00 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 March __,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 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 80% (203 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 under the terms of an amended contract now being negotiated by Zydeco.

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 calendar quarter of 1997. There can be no assurance that Cheniere California will successfully consummate the transaction. Moreover, if the transaction is 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 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 Cheniere California, it is anticipated that the closing of the purchase will occur during the second calendar quarter of 1997. Moreover, if the transaction is 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.

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 six month period ended February 28, 1997, the Company incurred net losses of $298,249. 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 transaction contemplated by such Purchase and Sale Agreement. Moreover, if the transaction is 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."

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 calendar quarter of 1997, the transaction is subject to the satisfaction of certain conditions by Poseidon and Cheniere California, and there is no assurance that Cheniere California will successfully consummate the transaction contemplated by such Purchase and Sale Agreement. Moreover, if the transaction is 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 is seeking to be listed on the 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 March 12, 1997 approximately 37% 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 331,444 and 2/3

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 Zydeco. As the Company has few employees and limited operating revenues, the Company will be largely dependent upon industry partners for the success of its oil and gas exploration projects for the foreseeable future.

Control by Principal Stockholders

William D. Forster, President and Chief Executive Officer of Cheniere, and BSR Investments, Ltd. ("BSR"), an entity under the control of a member of the immediate family of Charif Souki, Chairman of the Board of Directors and Secretary of Cheniere, own in the aggregate approximately 43.1% 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 80% (203 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 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

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

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."

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 12,648,409 shares outstanding as of March 12, 1997. Cheniere is seeking to be listed on the Nasdaq SmallCap Market.

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 February 28, 1997. All information set forth below should be read in conjunction with the financial data of the Company and related notes that appear elsewhere in this Prospectus.

<TABLE>
<CAPTION>

<S>	<C>
Shareholders' Equity	
Common Stock - $.003 Par Value Authorized 20,000,000 shares; 12,295,462 Issued and Outstanding(1)	$ 36,886
Preferred Stock - Authorized 1,000,000 shares; None Issued and Outstanding	--
Additional paid-in capital	10,982,363
Retained Deficit	(1,528,429)
Total Shareholders' Equity	$9,490,820

</TABLE>

(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, (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 and (v) 12,000 shares of the common stock are reserved for issuance upon exercise of outstanding options granted to Janet L. Reinarz, at an exercise price of $3.00 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 March 12, 1997 were $7.3125 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 March 13, 1997 there were 772 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.

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 February 28, 1997 and for the six 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 February 28, 1997	Pro Forma September 1, 1996 to February 28, 1997/1/
<S>	<C>	<C>	<C>
Net operating revenues	$ --	$ --	$ --
(Loss) from continuing operations	(79,097)	(298,249)	(298,249)
Loss) from continuing operations per share of common stock	(0.008)	(0.03)	(0.03)
(Loss) from discontinued operations	(207,722)	--	--
Net (loss) per share of common stock	(0.03)	(0.03)	(0.03)
Cash	1,093,180	3,843,088	2,759,882
Investment in 3-D Joint Venture	4,000,000	7,141,745	8,000,000
Total Assets	5,145,310	11,187,621	10,928,920
Long-term obligations	--	--	--
Total Liabilities	718,855	1,696,801	84,300
Total Shareholders' Equity	4,426,455	9,490,820	10,844,620
Cash dividends declared per share of common stock	--	--	--

</TABLE>

/1/ On March 4, 1997 $1,500,025 of Advances for Issuance of Common Stock were transferred to capital, as the Company issued shares of Common Stock for $1,500,025, and the Company funded an additional $858,255 investment in the 3-D Joint Venture. This column reflects the selected financial data as if the two events described herein, along with applicable costs and expenses, had occurred as of February 28, 1997.

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 SIX MONTH PERIOD ENDED FEBRUARY 28, 1997

The Company's operating results for the six months ended February 28, 1997 reflect a loss of $298,249, or $0.03 per share, as there were no operating revenues. General and administrative expenses of $311,693 and interest expenses of $8,552 were offset partially by interest income of $21,996.

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 February 28, 1997, total assets were $11,187,621 compared to $5,145,310 at August 31, 1996. The increase is due primarily to the sale of Common Stock. Net OF offering costs, $5,145,838 was received during the six month period. Current assets increased to $3,996,409 from $1,097,980 during the same period. Other assets reflected an increase in investment to approximately $7.1 million from $4 million in the 3-D Joint Venture. This increase was funded primarily from cash balances and equity proceeds. On March 4, 1997, the Company funded an additional $858,255 investment in the 3-D Joint Venture, bringing its total investment to date to $8,000,000.

At February 28, 1997, the Company had working capital of $2,299,608 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 six month period ended February 28, 1997, 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 $5.5 million (which is due in three payments; $2 million each on April 22 and May 22, 1997, and $1.5 million on June 21, 1997, each of which has a 30-day grace period), 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. See "Business and Properties - 3-D Joint Venture Exploration Agreement."

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 February 28, 1997, Cheniere raised net proceeds of $5,145,838 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 payments in the aggregate of approximately $3.1 million to the 3-D Joint Venture.

On March 4, 1997, the Company funded an additional $858,255 investment in the 3-D Joint Venture, bringing its total investment to date to $8,000,000, and $1,500,025 of Advances for Issuance of Common Stock were transferred to capital, as the Company issued 352,947 shares of Common Stock, at a price of $4.25 per share, for net proceeds of $1,500,025. With respect to these shares of Common Stock, as well as 352,947 shares of Common Stock issued in February 1997 at a price of $4.25 per share, the Company has agreed that if, during the 270 day period following the date of purchase of these shares, the Company offers and sells any shares of Common Stock for a per share gross sales price lower than the per share price paid for these shares, the Company will issue additional shares of Common Stock to reflect the lowest per share gross sales price at which shares were offered and sold during the period. The pro forma financial information contained in "Selected Financial Data", above, reflects the stated financial information as if the two events described above had occurred as of February 28, 1997.

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. 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 $5.5 million (plus 50% of certain costs in excess of $13.5 million) of Seismic Fund payments during the final two quarters of its fiscal year ending August 31, 1997, which is due in three payments; $2 million each on April 22 and May 22 of 1997, and $1.5 million on June 21, 1997, each of which has a 30-day grace period.

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

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 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 80% (203 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 under the terms of an amended contract now being negotiated by Zydeco.

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 Cheniere California, it is anticipated that the closing of the purchase will occur during the second calendar quarter of 1997. There can be no assurance that Cheniere California will successfully consummate the transaction. Moreover, if the transaction is 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 Cheniere California, it is anticipated that the closing of the purchase will occur during the second calendar quarter of 1997. Moreover, if the transaction is consummated, Cheniere California expects that development of the reserves will not occur for at least four years.

- 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 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 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 80% 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 an amended contract now being negotiated by Zydeco.

3-D Joint Venture Exploration Agreement

Under the terms of the Exploration Agreement, Cheniere Operating is obligated to pay 100% of the Seismic Costs (as defined below) up to $13.5 million (subject to adjustment as described in the following sentence) in accordance with a fixed schedule of monthly payments, and 50% of the excess of any such costs, to acquire a 50% working interest participation in the leasing and drilling of all Prospects (as defined below) generated by Zydeco within the Survey AMI. If premiums required for turnkey contracts cause total Seismic Costs to exceed $13.5 million, Cheniere Operating will bear 100% of Seismic Costs only up to $13.5 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;

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, and is intended to better align the payment schedule with Zydeco's need for such funds. On February 22, 1997, Cheniere Operating received notice from Zydeco that suspension of payments had ceased and that payments under the November 27, 1996 amendment should be resumed. Under the revised agreement, Cheniere Operating expects to fund an additional $5.5 million (plus 50% of certain costs in excess of $13.5 million) of Seismic Fund payments during the final two quarters of its fiscal year ending August 31, 1997, which is due in three payments; $2 million each on April 22 and May 22, 1997, and $1.5 million on June 21, 1997, each of which has a 30-day grace period. At March 4, 1997, Cheniere Operating had paid $8 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 $8 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 29.6%;

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

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

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

(iv) Should Cheniere Operating have funded $8,000,000, which amount has been paid to the Joint Venture, or more prior to the Discontinuance, then the parties will treat Cheniere Operating as having earned a vested Prospect ownership interest of 25%, regardless of the existence of certain costs to the Joint Venture in excess of $13.5 million, 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.

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 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 23,000 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:

<TABLE>

<CAPTION>

<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 - 4th 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

</TABLE>

Under the terms of the Louisiana Seismic Permit, the 3-D Joint Venture will be liable to pay penalties of $783,753.60 in the event it fails to (i) complete the acquisition of the seismic data covering the entire area subject to such Permit or (ii) provide access to such data to the State of Louisiana in a timely manner. Under the terms of the Exploration Agreement, any such penalties payable under the Louisiana Seismic Permit shall be borne equally by Zydeco and 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

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. It has proposed regulations to update production measurement and surface commingling requirements for gas produced in the OCS. In addition, 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 has conducted 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.

The MMS recently issued a notice of proposed rulemaking to modify the valuation procedures for crude oil transactions and to amend the valuation procedure for the sale of Federal royalty oil. The Company cannot predict what action the MMS will ultimately take on these matters, nor can it predict at this stage of the rulemaking proceeding how the Company might be affected by amendments to the regulations.

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

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

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

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

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 Nos. 636, et. al., 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.

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

Environmental. The Company's operations are subject to numerous laws

and regulations governing the discharge of oil and hazardous materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of various permits before drilling commences, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, and impose substantial liabilities for pollution resulting from the Company's operations. In particular, under the Federal Oil Pollution Act of 1990 ("OPA 90"), certain persons (including owners, operators, and demise 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.

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.

MANAGEMENT

OFFICERS AND DIRECTORS

The executive officers and directors of Cheniere are as follows:

<TABLE>
<CAPTION>

Name	Age	Title
<S>	<C>	<C>
William D. Forster...	50	President, Chief Executive Officer and Director
Walter L. Williams...	69	Vice Chairman and Director
Keith F. Carney.....	40	Chief Financial Officer and Treasurer
Charif Souki.....	44	Secretary and Chairman of the Board of Directors
Efrem Zimbalist III..	49	Director

</TABLE>

William D. Forster, 50, is currently President and Chief Executive Officer of Cheniere. Mr. Forster was an investment banker with Lehman Brothers from 1975 to 1990 (11 years as a Managing Director), initially in the oil and gas department for seven years, and then in various other areas. In 1990, he founded his own private investment bank, W. Forster & Co. Inc. In 1994, he became active again in the oil and gas business when he began to work together with BSR Investments, Ltd., a Paris-based private investment company, to provide financing for small energy companies. Mr. Forster is a director of Equity Oil Company, a Nasdaq National Market company, and he serves on the Board of Trustees of Mystic Seaport Museum. He holds a Bachelor of Arts degree in economics from Harvard College and a Master of Business Administration degree from Harvard Business School.

Walter L. Williams, 69, 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 Chairman of the Board of Directors and Secretary 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, Chairman of the Board of Directors and 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. 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>

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

</TABLE>

_____

/(1)/ The indicated dollar amounts are the result of calculations based on the exercise price of each option and assume five and ten percent annual appreciation rates set by the Securities and Exchange Commission over the term of the option and, therefore, are not intended to forecast possible future appreciation, if any, of 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>

	Number of Securities Underlying Unexercised Options at 8/31/96 (#)		Value of Unexercised In-the-Money Options at 8/31/96 ($)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>
Name				
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 20.6% of the outstanding shares of the Common Stock, is under the control of a member of the immediate family of Charif Souki, Chairman of the Board of Directors and Secretary 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.

DESCRIPTION OF CAPITAL STOCK

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, (iii) 689,639 shares issued during the period from July 1996 to December 1996 pursuant to Regulation D and (iv) 200,000 shares issued in December 1996 pursuant to Regulation S.

COMMON STOCK

As of March 12, 1997, there were 12,648,409 shares of the Common Stock outstanding. All of such outstanding shares of Common Stock are fully paid and nonassessable. Each share of the Common Stock has an equal and

ratable right to receive dividends when, as and if declared by the Board of Directors of 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

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, Chairman of the Board of Directors and Secretary of Cheniere, own in the aggregate approximately 43.1% 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.

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>

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

Class				
Dennis L. Adams	50,000	**	50,000	0
0				
Bemel & Ross Profit Sharing	10,000	**	10,000	0
0				
Robert Bowden	10,000	**	10,000	0
0				
Martin Brander	15,000	**	15,000	0
0				
Jacqueline B. Brandwynne	100,000	**	100,000	0
0				
Cinco de Mayo, Ltd.	30,000	**	30,000	0
0				
Ronald W. Cochran	20,000	**	20,000	0
0				
Joseph F. Cullman III	200,000	1.7	200,000	0
0				
Murray A. Decoteau, DDS	100,000	**	100,000	0
0				
Peter T. Dixon, Trustee for U/Art	35,000	**	35,000	0
0				
16 u/w for W. Palmer Dixon FBO				
Peter Dixon				
Peter T. Dixon, Trustee for U/Art	35,000	**	35,000	0
0				
16 u/w for W. Palmer Dixon FBO				
Palmer Dixon				
East End Associates, Inc.	66,666	**	66,666	0
0				
Bryan Ezralow TTEE of the Bryan	30,000	**	30,000	0
0				
Ezralow 1994 Trust				
Marc Ezralow	30,000	**	30,000	0
0				
Marshall Ezralow TTEE of the	40,000	**	40,000	0
0				
Ezralow Family Trust				
Allen Finkelstein	30,000	**	30,000	0
0				
Gail Daly Forster/1/	120,000	1.0	120,000	0
0				
Gail Daly Forster and John	100,000	**	100,000	0
0				
Marshall Forster TTEEs u/a 8/22/78				
by William H. Forster/2/				
William Forster Family Trust/3/	120,000	1.0	120,000	0
0				
Giorgio Tiberio Gallizio				
Revocable Trust dated				
June 21, 1991	13,500	**	13,500	0
0				
Giovanni Enos Gallizio	12,000	**	12,000	0
0				
Giovanni R. Galizio				
Revocable Trust dated				
June 14, 1991	20,000	**	20,000	0
0				
Stephen B. Goot	13,000	**	13,000	0
0				
Ralph O. Hellmold	20,000	**	20,000	0
0				
Beth Hoemke	20,000	**	20,000	0
0				
Brendan Hughes	25,000	**	25,000	0
0				
Kim W. Johnston, M.D.	22,222.22	**	22,222.22	0
0				
Sandra J. Kessler	66,000	**	66,000	0
0				
Sole and Separate Property				
Ted Koutsoubos	50,000	**	50,000	0
0				
Carolyn Leemon	12,750	**	12,750	0
0				
Howard Leemon, DDS, PC				
Defined Benefits				
Pension Plan	32,500	**	32,500	0
0				
Andrew Lessman	50,000	**	50,000	0
0				
Richard B. Liipfert	11,111.11	**	11,111.11	0
0				
Michael Marcus	40,000	**	40,000	0
0				
Alan, Mark & Charlen J. Mark	3,000	**	3,000	0
0				
Arden Merback	9,000	**	9,000	0
0				

Eli Moshen	11,000	**	11,000	0
0				
John S. Neel, Jr.	11,111.11	**	11,111.11	0
0				
Ostis Ventures, Ltd.	144,211	1.2	144,211	0
0				
Brooke A. Peterson	20,000	**	20,000	0
0				
Pierre Phillippine	21,000	**	21,000	0
0				
Joe Rivera	12,500	**	12,500	0
0				
Joe Sam Robinson, Jr., M.D.	111,111	**	111,111	0
0				
Bert Rogel, Esq. in trust for	90,000	**	90,000	0
0				
Estate of Sharon Heinz Tingle				
Ofer Shabtai	24,000	**	24,000	0
0				
Hugh F. Smisson, III, M.D.	55,555.56	**	55,555.56	0
0				
Lawanna R. Smisson	11,111.11	**	11,111.11	0
0				
Alan Sturm	180,000	1.5	180,000	0
0				
Fred Sturm	10,500	**	10,500	0
0				
Gisela Sturm	25,000	**	25,000	0
0				
Diana Venegas	20,000	**	20,000	0
0				
Vivaldi, Ltd.	120,000	1.0	120,000	0
0				
Michael J. Wagstaff	2,500	**	2,500	0
0				
Wallington Investments, Ltd.	200,000	1.7	200,000	0
0				
Whittier Energy Company	20,000	**	20,000	0
0				
Stephen S. Wien	50,000	**	50,000	0
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.

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>

	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING	
NAME OF BENEFICIAL OWNER		PERCENTAGE

	NUMBER	OF SHARES OUTSTANDING
<S>	<C>	<C>
William D. Forster	2,846,211/(1)/	22.5%
BSR Investments, Ltd.	2,602,000	20.6%
Charif Souki	0/(2)/	
Walter L. Williams	30,000/(3)/	.2%
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)/	22.9%

</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) with respect to 2,844,211 of the shares of the Common Stock being offered pursuant to this Prospectus, September 17, 1998, and with respect to an additional 839,639 shares of the Common Stock being offered pursuant to this Prospectus, March 13, 1999.

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

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

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

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.

INDEX TO FINANCIAL STATEMENTS

CHENIERE ENERGY, INC. AND SUBSIDIARY

For the Fiscal Year Ended August 31, 1996

For the Three Months Ended November 30, 1996

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

MERDINGER, FRUCHTER, ROSEN & CORSO, P.C

Certified Public Accountants

New York, New York
September 16, 1996

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

<TABLE>
<CAPTION>

<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.

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.

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

<TABLE>
<CAPTION>

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

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

<TABLE>
<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.

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.

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.

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:

<TABLE>
<CAPTION>

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

NOTE 5 - INVESTMENT IN JOINT VENTURE

The Company has entered into a joint exploration program pursuant to an Exploration Agreement between the Company and Zydeco Exploration, Inc. ("Zydeco"), an operating subsidiary of Zydeco Energy, Inc. (the "Exploration Agreement"), with regard to a new proprietary 3-D seismic exploration project in southern Louisiana (the "3-D Joint Venture"). The Company has the right to earn up to a 50% participation in the 3-D Joint Venture. The Company believes that the 3-D seismic survey (the "Survey") is the first of its size within the Transition Zone of Louisiana, an area extending a few miles on either side of the Louisiana State coastline.

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.

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).

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).

NOTE 11- DISCONTINUED OPERATIONS

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

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

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

Revenue	$ 42,258
Loss From Operations (Net of Income Tax Benefit of $0)	$(149,080)

For the period March 1, 1996 to July 3, 1996:

Revenue	$ 7,500
Loss on Disposal (Net of Income tax Benefit of $0)	$ (58,642)

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

NOTE 12- COMMITMENTS AND CONTINGENCIES

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

2) On July 26, 1996, the Company signed a Letter of Intent with Poseidon Petroleum, LLC ("Poseidon") to purchase Poseidon's 47% working interest in undeveloped reserves in the Bonito unit of the Pacific Outer Continental Shelf, offshore Santa Barbara County, California. The parties are conducting due diligence and are negotiating a definitive purchase and sale

agreement and related documentation. The transactions contemplated in the Letter of Intent may be terminated by either party upon the occurrence of certain events and there can be no assurance that the Company will successfully consummate such transactions. Moreover, if such transactions are consummated, the Company expects that development of the reserves will not occur for at least five years. There can be no assurance that the Company will successfully develop the reserves or that the reserves will yield sufficient quantities of oil and gas to be economically viable.

NOTE 13 - SUBSEQUENT EVENTS

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

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

<TABLE>
<CAPTION>

ASSETS	NOVEMBER 30, 1996	AUGUST 31, 1996
<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.

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.

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

<TABLE>

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED DEFICIT	TOTAL STOCKHOLDERS' 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	588,027	1,765	1,288,736	-	1,290,501
Conversion of Debt	105,000	315	209,685	-	210,000
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.

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

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.	

See Accompanying Notes to Financial Statements.

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 recurrring 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

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.

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.

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

	February 28, 1997	August 31, 1996
ASSETS		
CURRENT ASSETS		
Cash	$ 3,843,088	$ 1,093,180
Prepaid Expenses And Other Current Assets	153,321	4,800
TOTAL CURRENT ASSETS	$ 3,996,409	1,097,980
PROPERTY AND EQUIPMENT, NET	48,967	46,830
OTHER ASSETS		
Investment	7,141,745	4,000,000
Security Deposit	500	500
TOTAL OTHER ASSETS	7,142,245	4,000,500
TOTAL ASSETS	$ 11,187,621	$ 5,145,310
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 196,776	$ 292,894
Loans Payable	-	425,000
Advance from Officers	-	961
Advances for Issuance of Common Stock	1,500,025	-
TOTAL LIABILITIES	1,696,801	718,855
STOCKHOLDERS' EQUITY		
Common Stock - $.003 Par Value Authorized 20,000,000 shares; 12,295,462 and 9,931,767 Issued and Outstanding at February 28, 1997 and August 31, 1996, respectively	36,886	29,795
Preferred Stock - Authorized 1,000,000 shares; None Issued and Outstanding		
Additional Paid-in-Capital	10,982,363	5,626,840
Retained Deficit	(1,528,429)	(1,230,180)
TOTAL STOCKHOLDERS' EQUITY	9,490,820	4,426,455
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 11,187,621	$ 5,145,310

See Accompanying Notes to Financial Statements.

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

<TABLE>
<CAPTION>

	Three Months Ended February 28, 1997	Three Months Ended February 29, 1996	Six Months Ended February 28, 1997	Six Months Ended February 29, 1996
<S>	<C>	<C>	<C>	<C>
Revenue	$ -	$ 39,736	$ -	$ 42,258
General and Administrative Expenses	165,765	110,003	311,693	192,617
Interest Expense	1,313	-	8,552	-
	167,078	110,003	320,245	192,617
Loss from Operations Before Other Income	(167,078)	(70,267)	(320,245)	(150,359)
Interest Income	20,495	673	21,996	1,279
Loss From Operations Before Income Taxes	(146,583)	(69,594)	(298,249)	(149,080)

Provision for Income Taxes	-	-	-	-
Net Loss	$ (146,583)	$ (69,594)	$ (298,249)	$ (149,080)
Loss Per Share	(.01)	(.04)	(.03)	(.09)
Weighted Average Number of Shares Outstanding	11,757,696	1,781,500	11,036,471	1,681,203

</TABLE>
See Accompanying Notes to Financial Statements.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED FEBRUARY 28, 1997

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Loss	$ (298,249)
Adjustments to Reconcile Net Loss to Net Cash used by Operating Activities:	
Depreciation	4,043
(Increase) in Prepaid Expenses and Other Current Assets	(182,521)
Decrease in Accounts Payable and Accrued Expenses	(96,118)
(Decrease) in Advance from Officers	(961)
NET CASH USED BY OPERATING ACTIVITIES	(539,806)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Furniture, Fixtures and Equipment	(6,180)
Investment	(3,141,745)
NET CASH USED BY INVESTING ACTIVITIES	(3,147,925)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of Loan	(215,000)
Sale of Common Stock	5,960,400
Offering Costs	(661,560)
Advances for Issuance of Common Stock	1,500,025
NET CASH PROVIDED BY FINANCING ACTIVITIES	6,437,639
NET DECREASE IN CASH	2,749,908
CASH - BEGINNING OF YEAR	1,093,180
CASH - FEBRUARY 28, 1997	$ 3,843,088
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash Paid for Interest	$ 15,635
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.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED FEBRUARY 28, 1997

<TABLE>
<CAPTION>

	Common Stock		Additional Paid-in	Retained	Total Stockholders'
	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	2,258,695	6,776	5,953,624	-	5,960,400
Conversion of Debt	105,000	315	209,685	-	210,000

Expenses Related to Offering	-	-	(807,786)	-	(807,786)
Net Loss	-	-	-	(298,249)	(298,249)
Balance - February 28, 1997	12,295,462	$ 36,886	$ 10,982,363	$ (1,528,429)	$ 9,490,820

</TABLE>

See Accompanying Notes to Financial Statements.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 1997

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 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 subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

NOTE 2 - ACQUISITIONS

On December 19, 1996, Cheniere California was incorporated. Cheniere California is a 100% owned subsidiary of the Company.

NOTE 3 - 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.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 1997

NOTE 3 - WARRANTS (Cont'd)

Effective September 14, 1996, the Company had not paid 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 purchased the promissory notes of the remaining note holders. As per the terms of the notes, the holder was entitled to receive up to an aggregate of 21,500 additional warrants for each month, or partial month, any amounts that remained due and payable after September 14, 1996, up to a maximum aggregate number of 86,000 such additional warrants. These notes were repaid on December 14, 1996 and, upon repayment, the Company issued 64,500 warrants in accordance with the loan agreement. The terms of the warrants were similar to the June 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 4 - 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 qualified options vest and become exercisable on June 1, 1997 and expire June 1, 2001.

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

NOTE 4 - STOCK OPTIONS (Cont'd)

3) 150,000 qualified 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 qualified 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.

Also, the Company has granted 12,000 non-qualified options to an employee at an exercise price of $3.00 per share. These options vest and become exercisable in equal annual installments of 25% each on the first through fourth anniversary of January 23, 1997 and expire January 23, 2002.

NOTE 5 - COMMON STOCK RESERVED

The Company has reserved 386,666 and 2/3 share of Common Stock for insurance upon the exercise of outstanding warrants.

The Company has reserved 331,444 and 2/3 shares of Common Shares for insurance upon the exercise of outstanding options.

NOTE 6 - 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. 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. Minimum prepayments from the annual production payment shall be made at the rate of $540,000 per year, payable in advance. Poseidon will receive the first minimum prepayment of $540,000 at closing. 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 revenue report. Subject to the satisfaction of certain conditions by Poseidon and Cheniere California, it is anticipated that closing of the purchase will occur during the second calendar quarter of 1997.

3) As of February 28, 1997, the Company has an investment of $7,141,745 in a 3-D seismic exploration program in Southern Louisiana. Under the terms of the Exploration Agreement relating to the program, the Company is required to make additional monthly payments aggregating, at least, approximately $6,358 million (See Note 7). The Company's potential participation in the joint venture could be significantly reduced in the event of a failure by the Company to make such required monthly payments when due.

4) On February 28, 1997, the Company issued 352,947 shares of Common Stock at a price of $4.25 per share. If during the 270 day period following the date of purchase of these shares the company offers and sells any shares of its Common Stock for a gross sales price lower than the price paid for these shares, the Company will issue additional shares of Common Stock to reflect the lowest per share gross sales price at which shares were offered and sold during the period.

NOTE 7 - SUBSEQUENT EVENTS

On March 4, 1997, $1,500,025 of Advances for issuance of common stock were transferred to capital, the Company issued 705,894 shares of common stock for gross proceeds of $3,000,050. Proceeds received are intended to fund future commitments to the 3-D joint venture. If during the 270 day period following the date of purchase of these shares the Company offers and sells any shares of its Common Stock for a purchase gross sales price lower than the price paid for these shares, the Company will issue additional shares of Common Stock to reflect the lowest per share gross sales price at which shares were offered and sold during the period.

On March 4, 1997, the Company funded an additional $858,255 investment in the 3-D joint venture, bringing its total investment to date to $8,000,000. The Company has a remaining commitment of at least $5.5 million, which is due in three payments of $2 million each on April 22, 1997 and May 22, 1997 and $1.5 million due on June 21, 1997. A thirty day grace period applies to each of the payments.

If the two events described above had occurred as of February 28, 1997, along with applicable costs and expenses, the balance sheet as of February 28, 1997 would reflect the following.

Cash	$ 2,759,882
Prepaid Expenses and Other Current Assets	119,571
Property and Equipment, Net	48,967
Investment	8,000,000
Security Deposit	500
Total Assets	$10,928,920
Accounts Payable and Accrued Expenses	$ 84,300
Common Stock	37,946
Additional Paid-in Capital	12,335,103
Retained Deficit	(1,528,429)

	10,844,620
Total Liabilities and Stockholders' Equity	$10,928,920

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

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

</TABLE>

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

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$(195,127)	$(111,181)
Adjustments to Reconcile Net Loss to Net Cash (Used By) Operating Activities:		
Amortization of Film Costs	2,700	58,255
Depreciation	900	906
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(5,600)	(28,420)
Other Assets	2,122	-
Accounts Payable and Accrued Expenses	3,539	19,962
Accrued Interest Expense	(4,981)	6,328
Net Cash (Used By) Operating Activities	(196,447)	(54,150)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Furniture and Fixtures	(566)	-
Net Change in Notes Receivable	16,439	51,788
Net Cash Provided By Investing Activities	15,738	51,788
CASH FLOWS FROM FINANCING ACTIVITIES:		
Sale of Common Stock	137,500	130,976
Repayment of Note Payable	-	(5,000)
Net Repayment to Related Party	(7,519)	(51,781)
Net Cash Provided by Financing Activities	129,981	74,186
Net (Decrease) Increase in Cash	(50,593)	71,824
CASH - BEGINNING OF YEAR	114,134	6,573
CASH - END OF YEAR	$ 63,541	$ 78,397
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Interest	$ 4,983	$
Cash Paid for Income Taxes	$	$ 1,221

</TABLE>

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

NOTE 1 - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair

presentation have been included. Certain reclassifications have been made to the prior period to conform to the current periods presentation.

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

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

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

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

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

NOTE 2 - GENERAL AND ADMINISTRATIVE EXPENSES

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

NOTE 3 - SUBSEQUENT EVENTS

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

November 9, 1995

BEXY COMMUNICATIONS, INC.

BALANCE SHEET
AUGUST 31, 1995

<TABLE>
<CAPTION>

<S>	<C>
ASSETS	
CASH	$114,134
ACCOUNTS RECEIVABLE	63,200
PROGRAM INVENTORY, Net	55,456
FURNITURE AND FIXTURES - Net of accumulated depreciation of $2,564	956
OTHER ASSETS	6,722
TOTAL ASSETS	$240,468
LIABILITIES AND SHAREHOLDERS' EQUITY	
LIABILITIES:	
Accounts payable and accrued expenses	$ 36,310
Accrued interest to related party	42,189
Note payable to related party	7,519
Deposits	2,000
Deferred income	16,000
Total liabilities	104,018
COMMITMENTS AND CONTINGENCIES	
SHAREHOLDERS' EQUITY:	
Common stock, par value - $.01, 25,000,000 shares authorized, 1,558,947 issued and outstanding	133,654
Contributed capital	992,831
Accumulated deficit	(943,361)
Notes receivable from shareholders	(46,674)
Total shareholders' equity	136,450
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 240,468

</TABLE>

See accompanying notes to financial statements.

BEXY COMMUNICATIONS, INC.

STATEMENTS OF OPERATIONS
FOR THE TWO YEARS ENDED AUGUST 31, 1995

<TABLE>
<CAPTION>

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

EXPENSES:		
Advertising	2,300	22,552
General and administrative	65,227	54,227
Depreciation	1,208	850
Interest	9,593	10,167
Professional fees	108,315	60,105
Rent	16,513	21,281
Total expenses	203,156	169,182
NET LOSS	$(394,633)	$(213,620)
NET LOSS PER SHARE	$ (.27)	$ (.17)

</TABLE>

See accompanying notes to financial statements.

BEXY COMMUNICATIONS, INC.

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

<TABLE>
<CAPTION>

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

</TABLE>

(Continued)

BEXY COMMUNICATIONS, INC.

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

<TABLE>
<CAPTION>

	COMMON STOCK				NOTES RECEIVABLE	TOTAL SHARE-
	SHARES OUTSTANDING	AMOUNT	CONTRIBUTED CAPITAL	ACCUMULATED DEFICIT	FROM SHAREHOLDERS	HOLDER'S EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, AUGUST 31, 1994	1,409,951	129,129	786,021	(548,728)	(133,000)	233,422
CANCELLATION OF CONSTRUCTIVE						

ISSUANCE	(50,000)	(500)	(89,500)			(90,000)
SALE OF SHARES	151,000	4,573	231,393			235,966
ISSUANCE OF SHARES FOR SERVICES	45,168	452	64,917			65,369
REPAYMENT ON NOTES RECEIVABLE					86,326	86,326
ISSUANCE OF SHARES FOR ROUNDING	2,828					
NET LOSS				(394,633)		(394,633)
BALANCE, AUGUST 31, 1995	1,558,947	$133,654	$992,831	$(943,361)	$ (46,674)	$ 136,450

</TABLE>
See notes to financial statements.

BEXY COMMUNICATIONS, INC.

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

<TABLE>
<CAPTION>

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

</TABLE>

(Continued)

BEXY COMMUNICATIONS, INC.

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

	1995	1994
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ -0-	$ -0-
Cash paid for income taxes	$1,566	$ 800

SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:

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

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

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

See accompanying notes to financial statements.

BEXY COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

LICENSE AGREEMENTS - Revenue from television licensing agreements and the related film costs are recognized upon the execution of a

licensing agreement, provided certain conditions have been met, including availability of the film for broadcast.

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

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

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

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

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

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

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

<TABLE>
<CAPTION>

<S>	<C>
2. PROGRAM INVENTORY	
At August 31, 1995, the program inventory consisted of the following:	
"Heartstoppers...Horror At The Movies" A two-hour television program hosted by George Hamilton	$ 416,636
"Christmas at the Movies" - A one-hour television program hosted by Gene Kelly	106,000
"It's A Wonderful Life - A Personal Remembrance" hosted by Frank Capra, Jr.	41,786
Total	564,422
Less: accumulated amortization	(508,966)
Program Inventory, Net	$ 55,456

</TABLE>

3. NOTE PAYABLE TO RELATED PARTY

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

4. STOCK OPTION PLANS

In November 1993, the Company adopted a nonqualified stock option plan

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

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

5. COMMITMENTS AND CONTINGENCIES

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

6. MANAGEMENT PLANS

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

7. SUBSEQUENT EVENT (UNAUDITED)

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

FARBER & HASS

October 24, 1994

BEXY COMMUNICATIONS, INC.

BALANCE SHEET
AUGUST 31, 1994

<TABLE>
<CAPTION>

<S>	<C>
ASSETS	
CASH	$ 6,573
ACCOUNTS RECEIVABLE	35,200
PROGRAM INVENTORY, Net	569,500
FURNITURE AND FIXTURES - Net of accumulated depreciation of $1,356	2,164
OTHER ASSETS	12,121
TOTAL ASSETS	$625,558
LIABILITIES AND SHAREHOLDERS' EQUITY	
LIABILITIES:	
Accounts payable and accrued expenses	$ 44,540
Accrued interest expense	32,596
Note payable	185,000
Note payable to related party	128,000
Deposits	2,000
Total liabilities	392,136
COMMITMENTS AND CONTINGENCIES	
SHAREHOLDERS' EQUITY:	
Common stock (par value - $.01, 25,000,000 shares authorized, 1,409,951 issued and outstanding)	129,129
Contributed capital	786,021
Accumulated deficit	(548,728)
Notes receivable from shareholders	(133,000)
Total shareholders' equity	233,422
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 625,558

</TABLE>

See accompanying notes to financial statements.

BEXY COMMUNICATIONS, INC.

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

<TABLE>
<CAPTION>

<S>	1994 <C>	1993 <C>
REVENUES	$ 130,228	$ 317,946

COST OF PROGRAMS AND DISTRIBUTION FEES:		
Amortization of film costs	122,630	147,292
Distribution fees	52,036	133,757
Total cost of programs and distribution fees	174,666	281,049
EXPENSES:		
Advertising	22,552	27,083
General and administrative	54,227	44,457
Depreciation	850	348
Interest	10,167	18,992
Professional fees	60,105	62,209
Rent	21,281	14,769
Reserve on former employee advances		98,015
Total expenses	169,182	265,873
NET LOSS	$(213,620)	$(228,976)
Net loss per share	$ (.17)	$ (.19)

</TABLE>

See accompanying notes to financial statements.

BEXY COMMUNICATIONS, INC.

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

<TABLE>
<CAPTION>

	COMMON STOCK			
	SHARES OUTSTANDING	AMOUNT	CONTRIBUTED CAPITAL	ACCUMULATED DEFICIT
<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.

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)

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.

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.

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.

==========

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	$ 35,000.00
Securities and Exchange Commission Filing Fee	$ 1,150.18
Miscellaneous Expenses	$ 5,000.00
Total	$ 51,150.18

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 February 28, 1997, Cheniere raised net proceeds of $5,145,838 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 payments in the aggregate of approximately $2.1 million to the 3-D Joint Venture.

On March 4, 1997, the Company sold 352,947 shares of Common Stock, at a price of $4.25 per share, for net proceeds of $1,500,025. With respect to these shares of Common Stock, as well as 352,947 shares of Common Stock issued in February 1997 at a price of $4.25 per share, the Company has agreed that if, during the 270 day period following the date of purchase of these shares, the Company offers and sells any shares of Common Stock for a per share gross sales price lower than the per share price paid for these shares, the Company will issue additional shares of Common Stock to reflect the lowest gross per share sales price at which shares were offered and sold during the period.

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. 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.

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.
10.13	Form of Letter Agreement between Cheniere and certain purchasers of Common Stock pursuant to Regulation S.
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.

B. Financial Statement Schedules

None

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

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

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

(ii) 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.

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 14th day of March, 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 14th day of March, 1997.

<TABLE>
<CAPTION>

Signature	Title
<S>	<C>
/s/ William D. Forster William D. Forster	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ * Walter L. Williams	Vice-Chairman and Director
/s/ * Keith F. Carney	Chief Financial Officer and Treasurer
/s/ * Charif Souki	Secretary and Director
/s/ * Efrem Zimbalist III	Director

*By: /s/ William D. Forster

Willam D. Forster
Attorney-in-Fact

</TABLE>

EXHIBIT INDEX

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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.

EXHIBIT 3.1

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

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

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

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

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

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

(1) To change the name of the Company to "Cheniere Energy, Inc.;"

(2) To change the total number of shares of capital stock which the Company shall have authority to issue to 21,000,000 shares;

(3) To amend and supplement the provisions of the certificate of incorporation relating to personal liability of the directors of the Company and indemnification by the Company;

(4) To change the total number of the shares of common stock which the Company shall have authority to issue to 20,000,000 shares;

(5) To change the par value of the common stock to $.003 per share;

(6) To add a provision authorizing the issuance of 1,000,000 shares of a new class of preferred stock, the rights, powers and preferences of which shall be set by resolution of the Board of Directors of the Company;

(7) To change the registered office of the Company in the State of Delaware to 1013 Centre Road, City of Wilmington 19805, County of New Castle; and

(8) To change the registered agent of the Company in the State of Delaware to Corporation Service Company, 1013 Centre Road, City of Wilmington 19805, County of New Castle.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

/s/ WILLIAM D. FORSTER

William D. Forster
President

EXHIBIT 3.2

BY-LAWS

OF

CHENIERE ENERGY, INC.

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

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BY-LAWS

OF

CHENIERE ENERGY, INC.

ARTICLE I

OFFICES

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

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

ARTICLE II

MEETING OF STOCKHOLDERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

BOARD OF DIRECTORS

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

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

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

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

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

in office

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

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

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

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

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

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

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

(i) the Chairman, if any;

(ii) the Vice Chairman, if any,

(iii) the President;

(iv) any Director chosen by a majority of the Directors present.

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

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

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

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

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

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

ARTICLE IV

OFFICERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

SHARES AND TRANSFERS OF SHARES

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

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

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

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

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

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

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

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

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

ARTICLE VI

SEAL

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

ARTICLE VII

FISCAL YEAR

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

ARTICLE VIII

VOTING OF SHARES IN OTHER CORPORATIONS

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

ARTICLE IX

INDEMNIFICATION AND INSURANCE

SECTION 9.01. Indemnification. (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative

or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed

to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

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

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

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

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

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

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

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

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

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

SECTION 9.02. Insurance for Indemnification. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of Section 145 of the General Corporation Law.

ARTICLE X

AMENDMENTS

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

EXHIBIT 4.1

CHENIERE ENERGY, INC.

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

CUSIP 16411R 109

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

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

DATED

/s/ Charif Souki	/s/ William D. Forster
Secretary	President

EXHIBIT 5.1

[LETTERHEAD OF DEWEY BALLANTINE]

March 14, 1997

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

Ladies and Gentlemen:

We have acted as counsel to Cheniere Energy, Inc., a Delaware corporation (the "Company"), in connection with the Company's preparation and filing of a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"), for the registration of the resale of 839,639 shares of issued and outstanding common stock of the Company, par value $0.003 per share (the "Common Stock").

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

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

1. The Company is a corporation duly organized and validly existing under the laws of the State of Delaware.

2. The shares of the Common Stock to be registered pursuant to the Registration Statement have been duly authorized by the Company, and are validly issued, fully paid and nonassessable.

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

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

Very truly yours,

DEWEY BALLANTINE

EXHIBIT 10.1

EXPLORATION AGREEMENT

BETWEEN

ZYDECO EXPLORATION, INC.

AND

FX ENERGY, INC.

DATED

APRIL 4, 1996

EXPLORATION AGREEMENT

INDEX

EXPLORATION AGREEMENT

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

W I T N E S S E T H :

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

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

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

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

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

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

alternately, acting itself as production operator; and

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

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

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

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

1. USE OF THE SEISMIC FUNDS

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

The Seismic Funds shall be applied by ZEI as follows:

a. To ZEI as reimbursement for the expenses, including bonus, incurred to date in acquisition of the Exclusive Seismic Permit; then

b. toward costs incurred by ZEI in acquiring and processing Program Data, including:

i. acquisition of proprietary seismic data, including, without limitation, the seismic data required under the Exclusive Seismic Permit, including quality control expenses and feasibility tests prior to commencement of acquisition of seismic data;

ii. obtaining permits to acquire seismic data;

iii. payments for options to obtain seismic data, and out of pocket costs incident thereto, including the state permit for 51,350 acres, (to the extent such permit is not reimbursed under the other provisions hereof);

iv. seismic processing and reprocessing costs;

v. licensing of seismic data owned by third parties;

vi. third party legal and professional expenses relating to the Exclusive Seismic Permit, or the acquisition or processing of Program Data;

vii. weather insurance, as applicable for non-turnkey agreements;

viii. turnkey contracts;

ix. damages paid by ZEI to landowners for damages to lands or possessions;

x. the cost of legal defense, judgments, and settlements relating to any claim or cause of action brought by a land or mineral owner relating to or arising out of the acquisition of seismic data hereunder;

xi. the cost of transmission or transportation of data from field to office and insurance costs associated therewith;

xii. any other third party expense reasonably incurred by ZEI in connection with the items enumerated under this Section.

c. toward costs incurred by ZEI in acquiring permits, options to lease lands within the AMI, and leases of lands within the AMI

when necessary including:

i. bonus and other payments made to parties for such options;

ii. out-of-pocket costs incurred by ZEI in obtaining such options, e.g., landman costs, broker expenses, abstract charges, etc.;

iii. third party legal, accounting, and professional expenses incurred in obtaining such options, both in examination of title and in negotiating options;

iv. any other third party expense reasonably incurred by ZEI in connection with the items enumerated under this Section.

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

2. SEISMIC FUNDS

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

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

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

3. EXCESS SEISMIC COSTS DUE TO TURNKEY CONTRACTS

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

(i) In lieu of FX bearing 100% of Seismic Costs up to $13,500,000, FX shall bear 100% of Seismic Costs up to $13,000,000.

(ii) FX and ZEI shall bear Seismic Costs between $13,000,000 and $15,000,000 equally; and

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

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

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

5. DISCONTINUANCE OF SEISMIC FUND PAYMENTS

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

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

i. The obligation of FX to make additional Seismic Fund payments shall terminate, as well as the right of FX to make such payments.

ii. ZEI shall, individually, or with the cooperation or assistance of one or more companies, complete acquiring or processing Program Data; provided however, it shall incur no liability to FX for failing to do so.

iii. At such time as ZEI acquires an interest in a lease covering a portion of the Initial Prospect Lands (which may be acquired by direct lease, assignment from an existing lease, or acquiring a farmout), ZEI shall determine the aggregate amount of Seismic Costs incurred to that date.

iv. FX shall be entitled to a prospect ownership interest (the "FX Prospect Interest") which, expressed as a percentage, is equal to the Seismic Funds FX paid divided by twice the total Seismic Funds expended. Thus a contribution of $3.0 of Seismic Funds by FX when total Seismic Costs were $12.0 million entitle FX to a FX Prospect Interest equal to 12.5%.

b. Where ZEI itself, following a Discontinuance, contributes funds that otherwise would be provided by FX under the terms hereof, ZEI shall be entitled to receive back such funds, together with interest thereon at the prime interest rate, from revenues

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

c. Subject to the provision immediately below, if a Discontinuance occurs, and ZEI does not itself fund the deficient Seismic Costs, ZEI may sell, trade, farm-out, lease, sublease or otherwise trade (collectively, a "Trade") the aggregate (i.e., both that of ZEI and FX) prospect interests to any party on arms' length terms. For this purpose the aggregate prospect interests includes all seismic data acquired hereunder, and revenues from a Trade include seismic data sale or license proceeds. Any revenues accruing from a Trade shall be applied toward the cost of completing the project contemplated hereunder.

d. Should ZEI do a Trade and FX have funded $8,000,000 or more prior to the Discontinuance, then the parties shall treat FX as having earned a vested prospect ownership interest of 25%, which shall be treated under the applicable operating agreement and not subject to any Trade, and any revenues from a Trade, which would in this instance cover a 75% prospect ownership interest, shall be shared 33-1/3% by FX and 66-2/3% by ZEI.

6. PROSPECTS

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

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

7. PROSPECT DEVELOPMENT

a. Prospect Preparation

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

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

ii. leasing of lands within the Prospect perimeters, and, where such lands are under lease, acquiring farmouts;

iii. geological and geophysical interpretation;

iv. mapping; and

v. permitting.

b. Operating Agreement for Prospects

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

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

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

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

8. PROSPECT EXPENSES

a. Program expenses ("Prospect Expenses") are to be borne equally by ZEI and FX and include the following costs of preparing the Prospects for evaluation, development, and drilling:

i. lease bonuses and brokerage for additional leases wholly or partly within the Prospect Lands;

ii. delay or shut in rental payments on leases or interests acquired hereunder;

iii. third party legal and professional expenses relating to the acquisition or maintenance of leases or farmouts;

iv. any other third party expense reasonably incurred by ZEI in connection with the items enumerated under this Section or in Section 7;

v. engineering costs

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

b. Should FX fail to pay Prospect Expenses within thirty days of receipt of a billing therefor, and ZEI demand payment of such Prospect Expenses by written demand delivered by certified mail, return receipt requested, and FX not pay the delinquent Prospect Expenses within fifteen (15) days of receipt of the certified mail demand; then

i. FX shall have no liability for such Prospect Expenses;

ii. FX shall be deemed to have declined to participate in the Prospect in question; and

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

9. PROSPECT TEST WELL

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

a. the spud date scheduled for the initial test well on the Prospect, which shall not be less than 90 days from the date of notice (subject to rig availability) unless a farmout requirement or lease termination necessitates a shorter period;

b. the target formation;

c. an AFE for the test well, with dry hole and completion costs shown;

d. whether the well is recommended to be drilled on a turnkey, daywork, or footage basis;

e. an estimated economic evaluation of the Prospect; and

f. the Default Operating Agreement for signature, revised to include the legal description of the Prospect in question.

10. NON-PROPOSING PARTY'S ELECTION TO PARTICIPATE

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

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

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

11. ZEI'S OBLIGATIONS

Without further consideration, ZEI shall undertake the following:

a. to provide all management and administration necessary to prepare the Prospects for drilling, as more fully described under Section 7.a;

b. all bonding requirements necessary to maintain leases acquired pursuant hereto;

c. geophysical and geological evaluations of the Prospects; and

d. estimated economic evaluations of the Prospects.

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

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

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

12. ACCOUNTING OF SEISMIC FUNDS

a. Segregated Account

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

b. Accounting

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

c. Right to Audit

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

d. Internally Generated Statements

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

e. Joint Signature Account

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

13. RECORD TITLE

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

i. a well is ready for drilling; or

ii. front end costs have been paid to ZEI by a third party working interest owner, or

iii. a farmout of the prospect has been signed.

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

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

14. AREA OF MUTUAL INTEREST

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

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

15. SEISMIC DATA

a. Licensed Data

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

b. Marketing of Proprietary Data

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

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

16. GENERAL PROVISIONS

a. Additional Documents

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

b. Amendment.

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

c. Arbitration.

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

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

d. Assignment

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

e. Successors and Assigns.

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

f. Consequential Damages.

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

g. Contractual Liabilities

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

h. Counterparts.

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

i. WAIVER OF CONSUMER RIGHTS

(Texas Deceptive Trade Practices Act)

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

PURCHASER REPRESENTS AND STIPULATES TO SELLER THAT:

(I) THE PURCHASER IS NOT IN A SIGNIFICANTLY DISPARATE BARGAINING POSITION;

(II) THE PURCHASER IS REPRESENTED BY LEGAL COUNSEL IN SEEKING OR ACQUIRING THE GOODS OR SERVICES WHICH IT ACQUIRES UNDER THIS AGREEMENT; AND

(III) CONSUMER'S LEGAL COUNSEL WAS NOT DIRECTLY OR INDIRECTLY IDENTIFIED, SUGGESTED, OR SELECTED BY SELLER OF AN AGENT OF THE SELLER.

(IV) I (THE PURCHASER) WAIVE MY RIGHTS UNDER THE DECEPTIVE TRADE PRACTICES-CONSUMER PROTECTION ACT, SECTION 17.41 ET SEQ., BUSINESS & COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS. AFTER CONSULTATION WITH AN ATTORNEY OF MY OWN SELECTION, I VOLUNTARILY CONSENT TO THIS WAIVER."

j. Due Authorization.

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

k. Entire Agreement.

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

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

l. Force Majeure

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

m. Governing Law

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

n. Headings.

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

o. Relationship of the parties

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

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

p. Notices

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

If to FX:

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

Tel: 212 551 3550
Fax: 212 490 0131

If to ZEI:

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

Tel: 713 820 2481
Fax: 713 820 6054

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

to have been delivered as of the date sent.

q. Performance Standards

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

r. Severability

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

s. Statute of limitations.

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

t. Tax Matters

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

u. Third Party Beneficiary.

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

v. Time

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

w. Titles

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

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

ZYDECO EXPLORATION, INC.

By: /s/ Sam Myers

Sam Myers, President

FX ENERGY, INC.

By: /s/ William D. Forster

Its: President

EXHIBIT "B"

INITIAL PROSPECT LANDS

EXHIBIT "D"

PARTIAL ASSIGNMENT OF OIL AND GAS LEASE

STATE OF LOUISIANA (S)

PARISH OF _____ (S)

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

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

[Lease Description]

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

(a) The Overriding Royalty shall be free and clear of all cost and expense of production.

(b) The Overriding Royalty shall be paid at the same time as provided for payment of royalties under the Lease.

(c) The Overriding Royalty may be pooled and unitized with other lands and leases without the consent or joinder of the owner or owners of said overriding royalty.

(d) The Overriding Royalty is based on the assumption that the Lease covers the full and entire mineral interest in the lands described therein. In the event that it shall be found that the Lease covers less than the entirety of the minerals in said lands, the Overriding Royalty shall be reduced proportionately.

(e) To the extent that Assignor is assigning less than 100% of the working interest in the Lease, the Overriding Royalty shall be reduced proportionately.

(f) The Overriding Royalty shall not apply to nor be payable upon oil, gas or other hydrocarbons used for recycling, repressuring or similar operations benefiting the Lease or any portion thereof or other lands and leases pooled therewith or unavoidably lost. If the Lease provides that shut-in gas payments shall be made as royalty rather than as rental, Assignor shall not be entitled to any such royalty interest.

(g) "Project Payout" as used herein, is the first day of the next calendar month at the point when the net value of the total production from or attributable to the Lease (i.e., the gross income from such production, less operating expenses, lease royalties, production and/or other applicable taxes unless reimbursed to Assignee by the purchaser of such production, and less the hereinabove reserved overriding royalty to be paid by Assignee to Assignor) equals the total costs of drilling, testing and completing all Lease wells for production, including but not limited to costs associated with each well's separator, line heater, dehydrator, measuring equipment, flowlines, and facilities located on the Lands and utilized with such Lease production, and other equipment individually associated with Lease wells and not part of a processing plant or an existing central tank battery. Gross income shall include any prepayment from a purchaser. Total costs shall not include any costs associated with any facility which services, or is designed to service, in whole or part, off lease production.

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

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

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

a. the terms, provisions and conditions of the Lease and any limitation on or contained in the Lease;

b. the terms, conditions and burdens imposed by or contained in instruments appearing in Assignor's chain of title, or appearing in instruments referenced in instruments appearing in Assignor's chain of title, or amendments thereto; and

c. the term, obligations, and burdens contained in that certain Agreement between Assignor and Assignee dated _____ (the "Agreement"). Should the terms of this Assignment conflict with the terms of the Agreement, the terms of the Agreement shall control.

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

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

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

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

This assignment is made effective _____.

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

WITNESSES ASSIGNOR:

Name: _____
Witness

By:
Its:

Name: _____
Witness

WITNESSES ASSIGNEE:

Name: _____
Witness

By:
Its:

Name: _____
Witness

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

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

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

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

_____
Notary Public in and for
[SEAL] the State of

My Commission Expires:_____

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

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

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

_____
Notary Public in and for
[SEAL] the State of Texas

My Commission Expires:_____

EXHIBIT "D"

TAX PARTNERSHIP PROVISIONS

1. RELATIONSHIP OF THE PARTIES.

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

2. ELECTION TO REMAIN WITHIN SUBCHAPTER K.

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

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

3. INCOME TAX COMPLIANCE AND CAPITAL ACCOUNTS.

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

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

of the tax return period.

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

4. TAX MATTERS PARTNER.

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

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

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

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

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

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

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

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

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

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

5. ELECTIONS.

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

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

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

6. CAPITAL CONTRIBUTIONS AND FMV CAPITAL ACCOUNTS.

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

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

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

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

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

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

7. PARTNERSHIP ALLOCATIONS.

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

(a) Actual or deemed income from the sale, exchange, distribution or other disposition of production shall be allocated to the Party entitled to such production or the proceeds from the sale of such production. In the event that deemed income arising from the inkind distribution of production equals that fair market value of the production distributed to a Party, the Parties recognize that the corresponding adjustments would be a net zero adjustment and accordingly, may be omitted from the FMV capital accounts;

(b) Exploration cost, IDC, operating and maintenance costs shall be allocated to each Party in accordance with its respective

contribution to such cost;

(c) Depreciation shall be allocated to each Party in accordance with its contribution to the FMV capital account adjusted basis of the underlying asset;

(d) Simulated depletion shall be allocated to each Party in accordance with its FMV capital account adjusted basis in each oil and gas property;

(e) Loss (or simulated logs) upon the sale, exchange, distribution, abandonment or other disposition of depreciable or depletable property, shall be allocated to the Parties in the ratio of their respective FMV capital account adjusted basis in the depreciable or depletable property;

(f) Gain (or simulated gain) upon the sale, exchange, distribution or other disposition of depreciable or depletable property, shall be allocated to the Parties so that the FMV capital account balances of the Parties, with respect to such property, will most closely reflect their respective percentages or fractional interest under the Agreement;

(g) Costs or expenses of any kind shall be allocated to and accounted for by each Party in accordance with its respective contribution to such costs or expenses; and,

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

7.2 Tax Returns and Tax Basis Capital Account Allocations

(a) Unless otherwise expressly provided herein the allocations of Partnership items of income, gain, loss or deduction for tax return and tax basis capital account purposes shall be the same as those contained in Section 7.1

(b) If all the Parties consent, any money or an undivided interest in each and every property shall be distributed to one or more Parties as necessary for the purpose of balancing the FMV capital accounts:

(c) Unless (b) above applies, an undivided interest in each and every property shall be distributed to one or more Parties in accordance with the ratios of their FMV capital accounts:

(d) If a property is to be valued under (a) above or distributed pursuant to (b) or (c) above, the fair market value of the property shall be agreed to by the parties. In the event all of the parties do not reach agreement as to the fair market value of property, the Operator shall cause a nationally recognized independent engineering firm to prepare an evaluation of fair market value of such property.

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

9. TRANSFERS, SURVIVORSHIP AND CORRESPONDENCE.

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

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

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

EXHIBIT 10.2

[LOGO OF ZYDECO APPEARS HERE]

EXPLORATION, INC.

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

May 15, 1996

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

Re: First Amendment

Gentlemen:

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

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

We both agree that a failure by FX to make the $750,000 contribution by June 14, 1996 shall be treated as a Discontinuance under Section 5. The Seismic Funds paid, in this instance, would be $2,250.000.

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

Yours very truly,

ZYDECO EXPLORATION, INC.

By: /s/ Sam B. Myers

Its: President and Chief Executive Officer

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

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

By: /s/ William D. Foster

Its: President

EXHIBIT 10.3

[LOGO OF ZYDECO
APPEARS HERE]
EXPLORATION, INC.

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

August 5, 1996

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

Re: Second Amendment

Gentlemen:

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

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

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

3. It is the intent of the parties that no grace period apply to the payments required under this letter to be paid on August 9, 1996 and October 31, 1996.

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

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

Yours very truly,

ZYDECO EXPLORATION, INC.

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

Its: Sam B. Myers, Jr., President

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

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

By: /s/ William D. Foster

Its: President

EXHIBIT 10.4

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

As of June 14, 1996

To Each of the Purchasers Named on
Schedule A Hereto:

Ladies and Gentlemen:

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

SECTION 1. PURCHASE AND SALE OF SECURITIES

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

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

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

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

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

SECTION 2. REPRESENTATIONS

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

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

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

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

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

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

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

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

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

SECTION 3. EVENTS OF DEFAULT

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

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

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

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

SECTION 4. PENALTIES FOR NON-PAYMENT

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

SECTION 5. MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

CHENIERE ENERGY OPERATING CO., INC.

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

SCHEDULE A

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

Name:
Address:

Fax No.:
Tel. No.:

Signature

- ----------
Name:

Date: June 14, 1996

EXHIBIT A

PROMISSORY NOTE

$_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHENIERE ENERGY
OPERATING CO., INC.

[Corporate Seal]

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

By:_____

EXHIBIT B

WARRANT AGREEMENT

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

PRELIMINARY RECITALS

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

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

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

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

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

3. EXERCISE OF WARRANT

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

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

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

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

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

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

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

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

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

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

than such amounts.

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

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

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

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

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

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

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

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

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

CHENIERE ENERGY OPERATING CO., INC.

By_____
Name: William D. Forster
Title: President

HOLDER

By:_____
Name:

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

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

CHENIERE ENERGY OPERATING CO., INC.

WARRANT TO PURCHASE SHARES OF COMMON STOCK

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

No.: Up to ___ Share

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a stockholder of the Company prior to the exercise hereof.

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

CHENIERE ENERGY OPERATING CO., INC.

By:_____
William D. Forster
President

Annex 1

PURCHASE FORM

Dated _____, 19_____

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

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name_____
(Please typewrite or print in block letters)

Address_____

Signature_____

Annex 2

ASSIGNMENT FORM

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

Name_____
(Please typewrite or print in block letters)

Address_____

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

Date_____, 19__

Signature_____

ASSIGNMENT FORM

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

Name _____
(Please typewrite or print in block letters)

Address _____

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

Date June 14, 1996

Signature _____

ASSIGNMENT FORM

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

Name BEXY Communications, Inc.

(Please typewrite or print in block letters)

Address 16661 Venture Boulevard, Suite 214, Encino, California

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

Date July 3, 1996

Signature_____

EXHIBIT 10.5

WARRANT AGREEMENT

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

PRELIMINARY RECITALS

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

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

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

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

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

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

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

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

4. EXERCISE OF WARRANT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If to the Company:

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

with a copy to:

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

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

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

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

HOLDER

By:_____
Name:

Address:

tel:
fax:

EXHIBIT A

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

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

WARRANT TO PURCHASE SHARES OF COMMON STOCK

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

No. WA-___ Up to _____ Shares

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

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

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

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

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

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

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

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

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

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

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

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

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

CHENIERE ENERGY, INC.

By: _____
William D. Forster
President

Annex 1

PURCHASE FORM

Dated _____

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

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name_____
(Please typewrite or print in block letters)

Address_____

Signature_____

- ---

Annex 2

ASSIGNMENT FORM

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

Name_____
(Please typewrite or print in block letters)

Address_____

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

Date_____, 19__

Signature_____

EXHIBIT 10.6

ASSET TRANSFER, ASSIGNMENT AND ASSUMPTION AGREEMENT

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

RECITALS

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

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

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

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

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

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

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

1. TRANSFER, ASSIGNMENT AND ASSUMPTION.

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

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

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

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

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

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

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

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

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

1.2.1 any collective bargaining agreements; or

1.2.2 any employee benefit plan as defined in ERISA.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8.2 Authorization. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Assignee. This Agreement constitutes the valid and binding

obligation of Assignee, enforceable against it in accordance with its terms.

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

8.4 Effect of Representations. The representations and warranties of Assignee set forth in paragraphs 8.1, 8.2 and 8.3 are made solely for the purpose of this Agreement and shall survive the consummation of the transactions contemplated by this Agreement, and inure to the benefit of, or be enforceable by, either the successors or permitted assigns of Assignor.

9. MISCELLANEOUS.

9.1 Assignment. No assignment or transfer of any interest, right or obligation of any party hereunder shall be allowed without the prior written consent of all parties to this Agreement.

9.2 Amendments. This Agreement may not be amended, supplemented or otherwise modified except in writing signed by or on behalf of each party hereto.

9.3 Severability. In the event that any provision of this Agreement shall be held to be invalid, illegal or unenforceable, in whole or in part, such invalidity, illegality or unenforceability shall not in any way

whatsoever affect the validity of the other provisions of this Agreement and such other provisions shall remain in full force and effect.

9.4 Further Assurances. Each of the parties hereto agrees that, from and after the date hereof upon the reasonable request of the other party hereto and without further consideration, such party shall execute and deliver to such other party such documents and shall take such other actions as such other party may reasonably request in order to carry out the purposes and intentions of this Agreement, including, without limitation, the vesting in Assignee of the title to the Assets in accordance with such terms of this Agreement and the correction of related errors and defects.

9.5 Governing Law. This Agreement shall be governed by the laws of the State of Delaware.

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

ASSIGNOR:

BEXY COMMUNICATIONS, INC.,
a Delaware corporation

By: /s/Buddy Young

Its: President

ASSIGNEE:

MAR VENTURES, INC.,
a Delaware corporation

By: /s/ Buddy Young

Its: President

EXHIBIT A

SCHEDULE OF PATENTS, COPYRIGHTS AND TRADEMARKS

EXHIBIT C

SCHEDULE OF PROGRAM AGREEMENTS

EXHIBIT D

SCHEDULE OF EQUIPMENT LEASES

EXHIBIT E

CONTRACTS

EXHIBIT F

SCHEDULE OF OTHER ASSETS

EXHIBIT G

SCHEDULE OF ASSUMED LIABILITIES

1. ALL LIABILITIES AS SHOWN ON BEXY'S FEBRUARY 29, 1996, FORM 10-QSB.

2. ALL ACCOUNTS PAYABLE, OBLIGATIONS AND ACCRUED COSTS RELATING TO THE OPERATION OF BEXY'S BUSINESS DURING THE PERIOD OF MARCH 1, 1996, THROUGH THE CLOSING (AS DEFINED IN THE REORGANIZATION AGREEMENT).

3. ALL OBLIGATIONS OF BEXY UNDER THAT CERTAIN AGREEMENT AND PLAN OF REORGANIZATION.

EXHIBIT 10.7

INDEMNIFICATION AGREEMENT

INDEMNIFICATION AGREEMENT (this "Agreement") made as of July 3, 1996, by BUDDY YOUNG, an individual having an address at 16661 Ventura Boulevard, Suite 214, Encino, California 91436 ("Young"), in favor of Cheniere Energy Operating Co., Inc. ("Cheniere"), a corporation formed and existing under the laws of the State of Delaware, having an address at Two Allen Center, 1200 Smith Street, Suite 1710, Houston, Texas 77002; the Stockholders of Cheniere listed on Schedule A attached to the Reorganization Agreement (as defined below) (collectively, the "Cheniere Stockholders"); and Cheniere Energy, Inc. (f/k/a BEXY Communications, Inc.), a corporation formed and existing under the laws of the State of Delaware (the "Company"), having an address at Two Allen Center, 1200 Smith Street, Suite 1710, Houston, Texas 77002. Capitalized terms used herein without definition shall have the same meanings as ascribed to them in the Reorganization Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, the parties have entered into a certain Agreement and Plan of Reorganization dated April 16, 1996 (the "Reorganization Agreement"), pursuant to which, prior to or concurrently with the execution and delivery of this Agreement, among other things, (i) the Company has assigned and transferred substantially all of the assets and business of the Company, subject to liabilities, to Mar Ventures, Inc. ("Newco") and distributed the shares of Newco to its stockholders (the "Divestiture") and (ii) the Cheniere Stockholders have exchanged their Cheniere Shares for shares of the BEXY Stock; and

WHEREAS, in order to obtain the approval of the stockholders of the Company to the Reorganization and to register the stock of Newco under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company has caused to be prepared and filed with the Securities and Exchange Commission (the "SEC") the Proxy Materials and the Registration Statement, respectively; and

WHEREAS, in order to induce Cheniere and the Cheniere Stockholders to enter into the Reorganization Agreement, Young has agreed to indemnify the Company, Cheniere and the Cheniere Stockholders from and against certain Claims (as hereinafter defined) described below; and

WHEREAS, it is in the interest and to the direct or indirect benefit of Young and the stockholders of the Company for Cheniere and the Cheniere Stockholders to enter into the Reorganization Agreement and consummate the Acquisition and the other transactions contemplated by the Reorganization Agreement.

NOW, THEREFORE, in consideration of TEN DOLLARS ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Young agrees as follows:

1. INDEMNIFICATION. (a) Young unconditionally and irrevocably indemnifies and agrees to indemnify and hold harmless the Company, Cheniere and the Cheniere Stockholders and their respective officers, directors, attorneys and other agents (the "Cheniere Indemnified Parties") from and against all Claims (as hereinafter defined) which any Cheniere Indemnified Party may suffer, incur, or pay arising under or incurred in connection with (i) the operation of the business of the Company prior to the Closing, (ii) any error or omission with respect to a material fact stated or required to be stated in the Proxy Materials or the Registration Statement with respect to the Company prior to the Closing and (iii) any Taxes (as defined below) (individually, a "Claim" and collectively, the "Claims").

(b) The indemnity given by the Indemnitor is a guaranty to pay fully and promptly all sums due with respect to any and all Claims and is not a guaranty of collection only. None of the Company, Cheniere and the Cheniere Stockholders shall be required to exhaust any right or remedy or take any action against any other person or any collateral. All suretyship defenses that Young has or may have under applicable law are hereby expressly waived and relinquished by Young. Without limiting any of the foregoing, Young hereby waives presentment, notice of dishonor, nonperformance or nonpayment, protest and notice of protest, any other notice of every kind or nature and diligence in bringing suit or taking any other action on account of nonpayment of any Claim, and consents to any modification, amendment or addition to the Reorganization Agreement and agrees that notwithstanding any such modification, amendment or addition, this Agreement shall remain in full force and effect in all respects. Further, and without limiting any of the foregoing, Young further waives the benefit of any statute of limitations affecting Young's liability under this Agreement or the enforcement thereof for so long as the underlying obligation is subject to being enforced, and Young agrees that any payment of any amounts due with respect to any Claims or other act which shall toll any statute of limitations applicable

thereto shall similarly operate to toll the statute of limitations applicable to Young's liability under this Agreement. Young warrants and agrees that each of the foregoing waivers are made with Young's full knowledge of their significance and consequences, and that under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any of said waivers are determined to be contrary to any applicable law or public policy, such waivers shall be effective only to the maximum extent permitted by law. Young hereby agrees to the jurisdiction of any court in which jurisdiction is obtained against Young with respect to any Claim. Young acknowledges that there are no conditions precedent to the effectiveness of this Agreement, and this Agreement is in full force and effect and is binding on Young as of the date hereof.

(c) For purposes of this Agreement, "Tax" or "Taxes" means all United States federal, state, local or foreign income, profits, franchise, sales, property, excise, value added, estimated, stamp, alternative or add-on minimum, environmental, withholding, and other taxes, assessments, duties, fees and governmental charges or impositions of each and every kind, together with all interest, penalties, and additions imposed with respect to such amounts, arising as the result of or incurred in connection with the consummation of the transactions contemplated by the Divestiture, including, without limitation, the assignment

and transfer of any asset to, or assumption of any liability by, Newco or the distribution of any shares of Newco or the business of the Company prior to the Closing Date or Newco after the Closing Date.

(d) Notwithstanding the foregoing, the estate of Buddy Young shall have no liability under this Agreement.

2. FURTHER ASSURANCES. Young shall take such actions and sign and deliver such other instruments and documents as may be reasonable, necessary or appropriate to effectuate its fulfillment of the obligations described in this Agreement.

3. AMENDMENT. No modification, waiver or termination of this Agreement, or any part hereof, shall be effective unless made in writing and signed by Young, the Company, Cheniere and the Cheniere Stockholders in each instance. Receipt by any party of any money or other consideration due under this Agreement, with or without knowledge, shall not constitute a waiver of any provision of this Agreement.

4. ENTIRE AGREEMENT. This Agreement, together with any Exhibits and Schedules hereto, constitutes the entire agreement between Young, the Company, Cheniere and the Cheniere Stockholders with respect to the subject matter hereof and supersedes all prior agreements or understandings, or communications of Young, the Company, Cheniere and the Cheniere Stockholders relating thereto.

5. WAIVER; REMEDIES. No delay on the part of the Company, Cheniere, the Cheniere Stockholders or Young in exercising any right, power, privilege, or remedy hereunder shall operate as a waiver thereof or as a waiver of any other right, power, privilege, or remedy hereunder, nor shall any single or partial exercise of any right, power, privilege or remedy hereunder preclude any other or future exercise hereunder. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies which Cheniere, the Cheniere Stockholders, the Company or Young hereto may otherwise have at law or in equity.

6. NOTICES. Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or three (3) days after being sent by registered or certified mail, return receipt requested, postage prepaid, or transmitted by telecopy with oral confirmation, addressed as follows or to such other address of which the parties may have given notice in accordance with this paragraph 7:

If to Young:

c/o BEXY Communications, Inc.
16661 Ventura Boulevard, Suite 214
Encino, CA 91436
Attn: Mr. Buddy Young, President & CEO
Fax: (818) 784-8660

With a copy to:

Hand & Hand
24901 Dana Point
Harbor Drive, Suite 200
Dana Point, CA 92629
Attn: Jehu Hand, Esq.
Fax: (714) 489-0034

If to the Company, Cheniere or the Cheniere Stockholders:

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

with a copy to:

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

7. CAPTIONS. Paragraph titles or captions contained in this Agreement are listed only as a matter of convenience and for reference, and shall not be construed in any way to define, limit, extend or describe the scope of this Agreement or the intention of the provisions thereof.

8. SEVERABILITY. The invalidity of any one or more provisions hereof or of the Reorganization Agreement shall not affect the remaining portions of this Agreement or of the Reorganization Agreement, all of which are inserted conditionally on their being held valid in law; and if one or more of the provisions contained herein or therein should be valid, or should operate to render this or the Agreement invalid, this Agreement and Reorganization Agreement shall be construed as if such invalid provisions had not been inserted.

9. SURVIVAL. The obligations of Young hereunder shall survive the consummation of the transactions contemplated by the Reorganization Agreement for a period of three years.

IN WITNESS WHEREOF, Young has executed this Agreement as of the date set forth on the first page of this Agreement.

By:/s/ Buddy Young

Buddy Young

ACKNOWLEDGED AND ACCEPTED:

CHENIERE ENERGY OPERATING CO., INC.

By:/s/ William D. Forster

Name: William D. Forster
Title: President

CHENIERE ENERGY, INC.
(F/K/A BEXY COMMUNICATIONS, INC.)

By:/s/ William D. Forster

Name: William D. Forster
Title: President

EXHIBIT 10.8

WARRANT AGREEMENT

WARRANT AGREEMENT (this "Agreement") is made as of August 21, 1996 by and between CHENIERE ENERGY, INC., a Delaware corporation ("the Company"), and BLAIR FOSTER & CO., INC. (the "Holder").

PRELIMINARY RECITALS

A. In consideration for investment advisory and other services provided to the Company, the Company has agreed to grant to Holder a common stock purchase warrant entitling Holder and its permitted assigns to purchase, on the terms and subject to the conditions set forth below, shares of the common stock, $.003 par value per share, of the Company (the "Common Stock").

B. Holder is willing to accept the Warrant (as hereinafter defined) as consideration for its services to the Company, on the terms and subject to the conditions set forth below.

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

1. GRANT OF WARRANT. The Company hereby grants to Holder a warrant to purchase up to 13,600 shares (the "Warrant Shares") of Common Stock at the purchase price of $3 per share (the "Warrant"), such Warrant to be exercisable as hereinafter provided, evidenced by a warrant certificate in the form attached as Exhibit A hereto (the "Warrant Certificate").

2. EXERCISE PERIOD. Subject to the other terms of this Agreement regarding the exercisability of the Warrant, the Warrant shall be exercisable during the period (the "Exercise Period") commencing on the date hereof and expiring on May 15, 1999.

3. EXERCISE OF WARRANT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17. NOTICES. Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or three (3) days after being sent by registered or certified mail, return receipt requested, postage prepaid, or transmitted by telecopy with oral confirmation, addressed as follows or to such other address of which the parties may have given notice in accordance with this Section 17:

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

If to the Company:

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

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

CHENIERE ENERGY, INC.

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

BLAIR FOSTER & CO., INC.

By:_____
Name:
Title:

Address: _____

_____

Tel: _____

Fax: _____

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EXHIBIT A

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

CHENIERE ENERGY, INC.

WARRANT TO PURCHASE SHARES OF COMMON STOCK

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

No. WA-12 Up to 13,600 Shares

THIS CERTIFIES THAT for value received BLAIR FOSTER & CO., INC. (the "Holder") or registered assigns is the owner of a Warrant to purchase during the period expiring no later than 5:00 p.m. New York time on May 15, 1999, the number of fully paid and non-assessable shares of Common Stock, $.003 par value per share (the "Common Stock"), of Cheniere Energy, Inc., a Delaware corporation (hereinafter called the "Company"), specified above upon payment of the Warrant Price (as defined below) set forth in the warrant agreement between the Company and the Holder (the "Warrant Agreement").

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

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

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

surrender.

This Warrant is issued under, and the rights represented hereby are subject to, the terms and provisions contained in the Warrant Agreement. By acceptance of an assignment of this Warrant any assignee agrees and assents to all the terms and provisions of the Warrant Agreement. Reference is hereby made to terms and conditions of the Warrant Agreement for a more complete statement of the rights and limitations of rights of the registered holder hereof and the rights and obligations of the

Company thereunder, which terms and conditions are incorporated herein by reference. Copies of the Warrant Agreement are on file at the principal office of the Company.

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

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

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

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

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

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its representative, thereunto duly authorized, as of this 21st day of August, 1996.

CHENIERE ENERGY, INC.

By: _____
William D. Forster
President

Annex 1

PURCHASE FORM

Dated _____

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

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name_____
(Please typewrite or print in block letters)

Address_____

Signature_____

- ----------

ASSIGNMENT FORM

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

Name_____
(Please typewrite or print in block letters)

Address_____

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

Date_____, 19__

Signature_____

WARRANT AGREEMENT

WARRANT AGREEMENT (this "Agreement") is made as of August 21, 1996 by and between CHENIERE ENERGY, INC., a Delaware corporation ("the Company"), and REDLIW CORP. (the "Holder").

PRELIMINARY RECITALS

C. In consideration for investment advisory and other services provided to the Company, the Company has agreed to grant to Holder a common stock purchase warrant entitling Holder and its permitted assigns to purchase, on the terms and subject to the conditions set forth below, shares of the common stock, $.003 par value per share, of the Company (the "Common Stock").

D. Holder is willing to accept the Warrant (as hereinafter defined) as consideration for its services to the Company, on the terms and subject to the conditions set forth below.

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

1. GRANT OF WARRANT. The Company hereby grants to Holder a warrant to purchase up to 54,400 shares (the "Warrant Shares") of Common Stock at the purchase price of $3 per share (the "Warrant"), such Warrant to be exercisable as hereinafter provided, evidenced by a warrant certificate in the form attached as Exhibit A hereto (the "Warrant Certificate").

2. EXERCISE PERIOD. Subject to the other terms of this Agreement regarding the exercisability of the Warrant, the Warrant shall be exercisable during the period (the "Exercise Period") commencing on the date hereof and expiring on May 15, 1999.

3. EXERCISE OF WARRANT

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

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

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

5. PURCHASE FOR INVESTMENT; RESALE RESTRICTIONS. The Holder hereby represents, and each assignee of Holder as a condition to transfer shall represent, that he is acquiring or will acquire the Warrant and the Warrant Shares for his own account, for investment only with no present intention of

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

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

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

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

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

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

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

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

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

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

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

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

17. NOTICES. Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or three (3) days after being sent by registered or certified mail, return receipt requested, postage prepaid, or transmitted by telecopy with oral confirmation, addressed as follows or to such other address of which the parties may have given notice in accordance with this Section 17:

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

If to the Company:

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

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

CHENIERE ENERGY, INC.

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

REDLIW CORP.

By:_____
Name:
Title:

Address:_____

_____

Tel:_____

Fax:_____

EXHIBIT A

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

CHENIERE ENERGY, INC.

WARRANT TO PURCHASE SHARES OF COMMON STOCK

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

No. WA-13 Up to 54,400 Shares

THIS CERTIFIES THAT for value received REDLIW CORP. (the "Holder") or registered assigns is the owner of a Warrant to purchase during the period expiring no later than 5:00 p.m. New York time on May 15, 1999, the number of fully paid and non-assessable shares of Common Stock, $.003 par value per share (the "Common Stock"), of Cheniere Energy, Inc., a Delaware corporation (hereinafter called the "Company"), specified above upon payment of the Warrant Price (as defined below) set forth in the warrant agreement between the Company and the Holder (the "Warrant Agreement").

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

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

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

This Warrant is issued under, and the rights represented hereby are subject to, the terms and provisions contained in the Warrant Agreement. By acceptance of an assignment of this Warrant any assignee agrees and assents to all the terms and provisions of the Warrant Agreement. Reference is hereby made to terms and conditions of the Warrant Agreement for a more complete statement of the rights and limitations of rights of the registered holder hereof and the rights and obligations of the

Company thereunder, which terms and conditions are incorporated herein by reference. Copies of the Warrant Agreement are on file at the principal office of the Company.

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

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

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

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

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

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its representative, thereunto duly authorized, as of this 21st day of August, 1996.

CHENIERE ENERGY, INC.

By:_____
William D. Forster

President

Annex 1

PURCHASE FORM

Dated _____

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

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name_____
(Please typewrite or print in block letters)

Address_____

Signature_____

- ---

Annex 2

ASSIGNMENT FORM

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

Name_____
(Please typewrite or print in block letters)

Address_____

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

Date_____, 19__

Signature_____

EXHIBIT 10.9

CONSULTING AGREEMENT

CONSULTING AGREEMENT (this "Agreement"), made as of the 3rd day of July, 1996, by and between CHENIERE ENERGY, INC. (f/k/a BEXY Communications, Inc.), a Delaware corporation (the "Company"), and BUDDY YOUNG, an individual ("Consultant").

W I T N E S S E T H:

WHEREAS, Consultant is experienced in the management and operation of a public companies; and

WHEREAS, the Company desires to engage the Consultant to provide management of the Company with certain advice regarding the management and business of the Company, upon the terms and subject to the conditions set forth below.

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

1. TERM

The Company hereby agrees to retain Consultant as a consultant to the management of the Company and Consultant hereby accepts and agrees to serve in such capacity, for a period of two (2) years commencing as of the date hereof unless sooner terminated as herein provided (the "Term").

2. DUTIES

(a) Consultant shall make himself available for consultation with the management of the Company concerning the business and operation of the Company and shall agree to provide consultation and advice with respect to such other matters as the Company may request. Such services shall be performed by Consultant only after the Company has made a specific request therefor.

(b) Consultant may perform his duties hereunder by use of telephone, telefax or other means of telecommunication. Consultant shall not be required to maintain a physical presence at the Company's offices, but shall be required to use his reasonable best efforts to attend meetings of the Board of Directors of the Company in person or by telephone and upon reasonable prior notice.

3. COMPENSATION

(a) For and in consideration of and in full payment for the services to be rendered by Consultant to the Company during the Term, the Company agrees to pay Consultant a consulting fee of $75,000 per annum payable in monthly installments on the first day of each month during the Term or in such other installments as the parties may mutually agree upon.

(b) The Company shall reimburse Consultant for its his reasonable expenses incurred in connection with performance of its duties hereunder, including, but not limited to, expenses related to travel, lodging and meals under Section 2(b) above, promptly after receipt of backup invoices and receipts therefor; provided, however, that Consultant shall not incur any expenses
relating to the performance of its duties hereunder without obtaining the prior written approval of the Company.

4. INDEPENDENT CONTRACTOR; NON-EXCLUSIVE

(a) It is understood and agreed that Consultant is, and shall at all times during the Term be deemed to be an independent contractor, and nothing in this Agreement shall in any way be deemed or construed to constitute Consultant as an agent or employee of the Company nor shall Consultant have the right or authority to act as, incur, assume or create any obligation, responsibility or liability, express or implied, in the name of or on behalf of the Company or to bind the Company in any manner whatsoever or sign any documents on its behalf. Subject to Sections 2 and 3(b) hereof, Consultant shall determine in its sole discretion the method, details and means of performing its duties hereunder, and the Company shall have no right to control or direct the foregoing.

(b) The consulting services to be rendered hereunder will not be exclusive to either party. Consultant may engage in such other activities, consulting or otherwise, as consultant in its sole discretion deems appropriate.

Similarly, the Company may retain other consultants in its sole discretion.

5. WITHHOLDING TAX

The Company shall not be responsible for withholding from any payments made to Consultant hereunder any contributions levied by any state or federal statutes relating to social security or similar benefits.

6. TERMINATION

Consultant's services hereunder may be terminated by the Company only under the following circumstances:

(a) DEATH. In the event Consultant dies during the Term; the Term shall terminate upon his death.

(b) CAUSE. The Company may, at any time, terminate this Agreement for cause upon thirty (30) days' written notice of termination to Consultant. "Cause" shall mean that their has been a final, non-appealable determination by a court of competent jurisdiction that Consultant has committed civil or criminal embezzlement, theft or other dishonest or fraudulent acts, materially adversely affecting the Company.

If this Agreement shall be terminated for Cause, the Company shall have no further obligations to Consultant as of the date of termination.

7. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties with respect to Consultant's consultancy with the Company during the Term, including, but not limited to, any agreement with respect to remuneration, fees, payments or benefits of any kind payable to Consultant with respect to such consultancy, and, other than Article XVII of the Purchase Agreement relating to arbitration of disputes, there is no other agreement between the parties with respect to the subject matter hereof, written or oral, other than as provided hereby. This Agreement may not be amended, modified, supplemented or discharged except by a writing duly executed by the parties hereto.

8. NOTICES

Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or three (3) days after being sent by registered or certified mail, return receipt requested, postage prepaid, or transmitted by telecopy with oral confirmation, addressed as follows or to such other address of which the parties may have given notice in accordance with this Section 6.4:

If to Consultant:

16661 Ventura Boulevard, Suite 214
Encino, CA 91436
Attn: Mr. Buddy Young, President & CEO
Fax: (818) 784-8660

With a copy to:

Hand & Hand
24901 Dana Point
Harbor Drive, Suite 200
Dana Point, CA 92629
Attn: Jehu Hand, Esq.
Fax: (714) 489-0034

If to the Company:

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

With a copy to:

Whitman Breed Abbott & Morgan
200 Park Avenue
New York, NY 10166

Attn: Robert C. Brighton, Jr., Esq.
Fax: (212) 351-3131

9. WAIVER

The waiver by either party hereto of the breach of any provision of this Agreement by the other party hereto shall not operate or be construed as a waiver or any other provision hereof or of any subsequent breach by such other party.

10. SEVERABILITY

If any provision of this Agreement shall be held to be invalid or unenforceable, the other provisions of this Agreement shall not be affected thereby and this Agreement shall be construed as if the provision held to be invalid or unenforceable had never been contained herein and such provision shall be reformed and redrawn only to the extent necessary so as to be valid and enforceable under applicable law.

11. SUCCESSORS

This Agreement shall be binding upon and shall inure to the benefit of the Company and any successor of the Company, and any such successor shall be deemed substituted for the Company under the provisions of this Agreement. As used herein, the term "successor" shall mean any person, firm, corporation or other business entity which at any time, whether by merger, purchase, liquidation or otherwise, acquires all or substantially all of the assets or business at the Company. Consultant may assign its rights and delegate its obligations hereunder to a consulting corporation wholly-owned by Consultant and otherwise reasonably acceptable to the Company.

12. GOVERNING LAW

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

IN WITNESS WHEREOF, the parties hereto have signed and delivered this Agreement on the date first above written.

THE COMPANY:

CHENIERE ENERGY, INC.

By:/s/ William D. Forster

William D. Forster, President

CONSULTANT:

/s/ Buddy Young

Buddy Young, individually

EXHIBIT 10.10

CHENIERE ENERGY, INC.
Two Allen Center
1200 Smith Street, Suite 1710
Houston, Texas 77002

July 3, 1996

Mr. Buddy Young
16661 Ventura Boulevard, Suite 214
Encino, California 91436

Dear Buddy:

Reference is made to that certain Agreement and Plan of Reorganization dated as of April 16, 1996 (the "Agreement") among Cheniere Energy, Inc. (f/k/a BEXY Energy, Inc.) and you, and Cheniere Energy Operating Co., Inc. and the Stockholders of Cheniere. Capitalized terms used herein without definition shall have the same meanings as ascribed to them in the Agreement.

Reference is further made to Section 3.6 of the Agreement pursuant to which we have agreed to enter into this letter agreement confirming our understanding and agreement with respect to the reverse split of the common stock of Cheniere Energy, Inc. (f/k/a BEXY Communications, Inc.) (the "Company").

Accordingly, in consideration of the benefits accruing to us under the Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, for a period of eighteen months from the date hereof, we agree not to engage in any reverse stock split or any transaction that has the effect of a reverse stock split, resulting in the combination of shares of outstanding common stock of the Company, other than the Reverse Split as described in the Agreement, without your prior written consent.

Please sign and return the enclosed copy of this letter to indicate your acknowledgement of and consent to the foregoing. This letter may be signed in counterparts and facsimile signatures shall be treated as originals.

Very truly yours,

CHENIERE ENERGY, INC.

By: /s/ William D. Forster

William D. Forster
President

ACCEPTED AND ACKNOWLEDGED
this 2nd day of July, 1996

/s/ Buddy Young

Buddy Young, individually

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

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.

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

(h) The Buyer understands that the Shares are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Shares. The Buyer agrees that, if any of the representations, warranties, agreements, acknowledgements or understandings deemed to have been made by it in connection with its investment in the Shares is no longer accurate, it shall promptly notify the Company and consult with the Company in order to determine an appropriate course of action.

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

(j) The Buyer and its advisors have been afforded the opportunity to ask questions of the Company, and have received complete and satisfactory answers to any and all such inquiries and has had access to such financial and other information concerning the Company and the Shares as it has deemed necessary in connection with its decision as to whether to make its investment. Without limiting the generality of the foregoing, the Buyer has had the opportunity to obtain and has reviewed (i) the Annual Report on Form 10-KSB for the year ended August 31, 1995 of Bexy Communications, Inc., the Company's predecessor ("Bexy"), (ii) the Proxy Statement of Bexy dated June 13, 1996 relating to the special meeting of Bexy's shareholders held on July 2, 1996 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 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

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

or other material agreement or instrument to which the Company is a party or by which it or any of its properties or assets are bound, or any existing applicable law, rule or regulation or any applicable decree, judgment or order of any court, United States federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Company or any of its properties or assets.

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

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

4. CERTAIN COVENANTS AND ACKNOWLEDGMENTS.

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

(other than pursuant to the Registration Procedures set forth in Section 5 of this Agreement) under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder.

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

> The securities evidenced by this certificate have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any applicable state securities laws and may not be offered for sale, sold or otherwise disposed of for value unless a registration statement has become effective with respect to such securities under the Securities Act and any applicable state

> securities laws or pursuant to an opinion of counsel reasonably acceptable to the corporation that there is an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws.

(c) FORM D. The Company agrees to file a Form D with respect to the Shares 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

Registration Statement to correct such untrue statement or omission, and deliver a number of copies of such supplement or amendment to the Buyer or as the Buyer may reasonably request.

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

(f) Following effectiveness of the Registration Statement, the Company will

use diligence either to (i) cause all the Registrable Shares covered by the Registration Statement to be listed on a national securities exchange and on each additional national securities exchange on which similar securities issued by the Company are then listed, if any, if the listing of such Registrable Shares is then permitted under the rules of such exchange, or (ii) secure the quotation of all the Registrable Shares covered by the Registration Statement on the Nasdaq Market, if the listing of such Registrable Shares is then permitted under the rules of such Market, or (iii) if, despite the Company's best efforts to satisfy the preceding clause (i) or (ii), the Company is unsuccessful in satisfying the preceding clause (i) or (ii) and without limiting the generality of the foregoing, to arrange for at least two market makers to register with the National Association of Securities Dealers, Inc. as such with respect to such Registrable Shares.

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

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

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

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

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

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

(m) To the extent permitted by law, the Company will indemnify and hold harmless the Buyer, the directors, if any, of the Buyer, the officers, if any, of the Buyer, each person, if any, who controls the Buyer within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any underwriter (as defined in the Securities Act) for the Buyer, the directors, if any, of such underwriter and the officers, if any, of such underwriter, and each person, if any, who controls any such underwriter within the meaning of the Securities Act or the Exchange Act (each, an "Indemnified Person"), against any losses, claims, damages, expenses or liabilities (joint or several) (collectively, "Claims") to which any of them may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any of the following statements, omissions or violations in the Registration Statement, or any post effective amendment thereof, or any prospectus included therein: (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post effective amendment thereof or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading or (iii) any violation or alleged violation by the Company of the Securities Act, any state securities law or any rule or regulation under the Securities Act, the Exchange Act or any state securities law (the matters in the foregoing clauses (i) through (iii) are hereinafter collectively referred to as the "Violations"). Subject to the restrictions set forth in Section 5(o) with respect to the number of legal counsel, the Company shall reimburse the Buyer and each such underwriter or

controlling person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnity contained in this Section 5(m) (I) shall not apply to a Claim arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by any Indemnified Person or underwriter for such Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto; (II) with respect to any preliminary prospectus shall not inure to the benefit of any person from whom the person asserting any Claim purchased the Registrable Shares that are the subject thereof (or to the benefit of any person controlling such person) if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected in the prospectus, as then amended or supplemented, if such prospectus was timely made available by the Company; and (III) shall not

apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Shares by the Buyer.

(n) The Buyer agrees to indemnify and hold harmless, to the same extent and in the same manner set forth in Section 5(m), the Company, each of its directors, each of its officers who signs the Registration Statement, each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, any underwriter and any other stockholder selling securities pursuant to the Registration Statement or any of its directors or officers or any person who controls such stockholder or underwriter within the meaning of the Securities Act or the Exchange Act (each such person and each Indemnified Person, an "Indemnified Party"), against any Claim to which any of them may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Claim arises out of or is based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by the Buyer expressly for use in connection with such Registration Statement or such prospectus; and the Buyer will reimburse any reasonable legal or other expenses reasonably incurred by any Indemnified Party in connection with investigating or defending any such Claim; provided, however, that the indemnity contained in this Section 5(n) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Buyer, which consent shall not be unreasonably withheld; provided, further, that the Buyer shall be liable under this Section 5(n) for only that amount of a Claim as does not exceed the net proceeds to the Buyer as a result of the sale of Registrable Shares pursuant to such Registration Statement or such prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Shares by the Buyer. Notwithstanding anything to the contrary contained herein the indemnity contained in this Section 5(n) with respect to any preliminary prospectus shall not inure to the benefit of any Indemnified Party if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented.

(o) Promptly after receipt by an Indemnified Person or Indemnified Party under Section 5(m) or 5(n) of notice of the commencement of any action (including any governmental action), such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is made against any indemnifying party under this Section 5, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, assume control of the defense thereof with counsel mutually satisfactory to the indemnifying parties; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing

interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. Except as provided in the preceding sentence, the Company shall pay for only one separate legal counsel for the Indemnified Persons. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 5, except to the extent that the indemnifying party is prejudiced in its ability to defend such action. The indemnity required by this Section 5 shall be made by periodic payments of the amount thereof during the course of the investigation or

defense, as such expense, loss, damage or liability is incurred and is due and payable.

(p) PIGGYBACK REGISTRATION. After the registration under Section 5(a) hereof, and for a period ending two years from the date hereof, if the Company at any time proposes to register any of its securities under the Securities Act (other than a registration effected solely to implement an employee benefit plan, a transaction to which Rule 145 of the SEC is applicable or any other form or type of registration in which the Buyer's Registrable Shares cannot be included pursuant to SEC rule or practice), it will give written notice to the Buyer of its intention to do so. If such registration is proposed to be on a form which permits inclusion of the Buyer's Registrable Shares, upon the written request (stating the intended method of disposition of such securities) of the Buyer given within thirty (30) days after transmittal by the Company to the Buyer of such notice, the Company will, subject to the limits contained in this Agreement, use its best efforts to cause all such Registrable Shares of the Buyer to be registered under the Securities Act and qualified for sale under any state securities law, all to the extent requisite to permit such sale or other disposition by the Buyer, except that if the Company receives a written opinion of a managing underwriter that the inclusion of any 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

of the Shares in accordance with Section 4(a) is not required under the Securities Act or applicable state securities laws, the Company shall permit the transfer agent to issue one or more share certificates in such name and in such denominations as specified by the Buyer.

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

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

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

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

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

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

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

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

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

9. NO OFFER TO SELL.

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

10. GOVERNING LAW; JURISDICTION.

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

11. TRIAL BY JURY.

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

12. MISCELLANEOUS.

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

13. ENTIRE UNDERSTANDING.

This Agreement (including any attachments hereto) constitutes the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements, whether written or oral. This Agreement may be amended only in a written document duly executed by both parties hereto.

[Remainder of page intentionally left blank.]

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

Name of Buyer:	_____
Signature (if Buyer is an individual):	_____
Signature (if Buyer is a corporation or other entity):	By: _____ Name: Title:
Address:	_____ _____ _____
Number of Shares:	_____
Price per Share:	US $ _____
Aggregate Subscription	

Price: US $ _____

IRS Taxpayer No.: _____

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

CHENIERE ENERGY, INC.

By: _____
Name: _____
Title: _____

EXHIBIT 10.12

[LETTERHEAD OF ZYDECO ENERGY, INC.]

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:

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.

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

EXHIBIT 10.13

CHENIERE ENERGY, INC.
1200 SMITH STREET, SUITE 1710
HOUSTON, TX 77002-4312
(713) 659-1361
FAX: (713) 659-5459

_____, 1997

[Investor Addressee]

Dear [Investor]:

This letter will confirm the following understanding, with regard to your purchase of _____ shares of common stock (the "Shares") of Cheniere Energy, Inc. the ("Company").

In the event that during the 270 day period following the date of your purchase of the Shares the Company offers and sells any shares of its common stock for a gross sales price of less than $4.25 per share, then the Company will issue to you an additional number of shares to reflect the lowest gross sales price at which the Company's common shares were offered and sold during the 270 day period (the "Lowest Price per Share"). The additional number of shares to be issued shall be calculated by first dividing (x) the aggregate gross purchase price that you have paid for the Shares by (y) the Lowest Price per Share to indicate (z) the total number of shares that you will have been issued after receiving the additional shares to be issued pursuant to this letter. The additional number of shares to be issued shall be equal to the difference of (z) minus the number of the Shares originally issued to you.

For purposes of determining the Lowest Price per Share, stock issued pursuant to stock options granted or common stock purchase warrants issued prior to your purchase of the Shares shall be disregarded.

Sincerely,

William D. Forster
President and CEO

EXHIBIT 21.1

SUBSIDIARIES OF CHENIERE ENERGY, INC.

1. Cheniere Energy Operating Co., Inc.

2. Mar Ventures Inc.

3. Cheniere Energy California, Inc.

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS
CHENIERE ENERGY, INC.

As independent public accountants, we hereby consent to the use of our report (and to all references to our firm) included in this registration statement.

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

March 14, 1997

EXHIBIT 23.3

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CHENIERE ENERGY, INC.:

We hereby consent to the use of our reports dated November 9, 1995 and October 24, 1994, on the 1995, 1994 and 1993 financial statements, included in this Registration Statement on Form S-1 and to the reference to our Firm under the heading "Experts" in the prospectus.

FARBER & HASS

March 14, 1997

EXHIBIT 23.4

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Board Of Directors
Cheniere Energy, Inc.

We hereby consent to the use of our financial statements of August 31, 1996 included in this Registration Statement on form S-1 and to the reference to our firm under the caption "Experts" in the prospectus.

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

March 14, 1997