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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NO. 0-9092

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

DELAWARE
(State or other jurisdiction of incorporation or organization)

95-4352386
(I. R. S. Identification No.)

1200 SMITH STREET, SUITE 1710
HOUSTON, TEXAS
(Address or principal place of business)

77002-4312
(Zip Code)

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

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

As of January 12, 1998, there were 14,457,866 shares of Cheniere Energy, Inc. Common Stock, \$.003 par value, issued and outstanding.

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CHENIERE ENERGY, INC.
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CHENIERE ENERGY, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEET

<TABLE>
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ASSETS	November 30, 1997 ----- (Unaudited) <C>	August 31, 1997 ----- <C>

<S>		
CURRENT ASSETS		
Cash	\$ 26,989	\$ 234,764
Accounts Receivable	95,033	-
Prepaid Expenses and Other Current Assets	20,284	57,141
	-----	-----
TOTAL CURRENT ASSETS	142,306	291,905
OIL AND GAS PROPERTIES, full cost method		
Unevaluated	13,521,811	13,500,000
FIXED AND OTHER ASSETS		
	64,055	49,807
	-----	-----
TOTAL ASSETS	\$ 13,728,172	\$ 13,841,712
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 513,665	\$ 388,291
Note Payable - Related Party	-	500,000
	-----	-----
TOTAL LIABILITIES	513,665	888,291
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred Stock - \$.0001 Par Value		
Authorized 5,000,000 and 1,000,000 shares, at November 30 and August 31, 1997 respectively;		
None Issued and Outstanding		
Common Stock - \$.003 Par Value		
Authorized 45,000,000 and 20,000,000 shares, Issued and Outstanding 14,357,866 and 14,160,866 at November 30 and August 31, 1997, respectively	43,074	42,483
Additional Paid-in-Capital	15,225,131	14,709,253
Deficit Accumulated During the Development Stage	(2,053,697)	(1,798,315)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	13,214,507	12,953,421
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 13,728,172	\$ 13,841,712
	=====	=====

</TABLE>

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

CHENIERE ENERGY, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

<TABLE>
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	For the Three Months Ended November 30,		Cumulative from the Date of Inception
	1997	1996	
<S> Revenue	<C> \$ -	<C> \$ -	<C> \$ -
General and Administrative Expenses	303,975	145,928	2,121,250
Interest Expense	2,551	13,689	41,552
	306,526	159,617	2,162,802
Loss from Operations Before Other Income and Income Taxes	(306,526)	(159,617)	(2,162,802)
Interest Income	51,144	1,501	109,105
Loss From Operations Before Income Taxes	(255,382)	(158,116)	(2,053,697)
Provision for Income Taxes	-	-	-
Net Loss	\$ (255,382)	\$ (158,116)	\$ (2,053,697)
Net Loss Per Share	\$ (0.02)	\$ (0.02)	\$ (0.18)
Weighted Average Number of Shares Outstanding	14,326,130	10,310,670	11,540,244

</TABLE>

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

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CHENIERE ENERGY, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

Total Stockholders' Equity	Per Share	Common Stock		Additional Paid-In Capital	Retained Deficit
		Shares	Amount		
<S> <C>	<C>	<C>	<C>	<C>	<C>
Sale of Shares on April 9, 1996 75,003	\$ 0.012	6,242,422	\$ 18,727	\$ 56,276	\$ -
Sale of Shares on May 5, 1996 3,000,000	1.50	2,000,000	6,000	2,994,000	-
Issuance of Shares to an Employee on July 1, 1996 30,000	1.00	30,000	90	29,910	-
Issuance of Shares in Reorganization to Former Bexy Shareholders	-	600,945	1,803	(1,803)	-
Sale of Shares on July 30, 1996 100,000	2.00	50,000	150	99,850	-
Sale of Shares on August 1, 1996 1,016,800	2.00	508,400	1,525	1,015,275	-
Sale of Shares on August 30, 1996 1,000,000	2.00	500,000	1,500	998,500	-
Expenses Related to Offering (686,251)	-	-	-	(686,251)	-
Issuance of Warrants 12,750	-	-	-	12,750	-
Net Loss (121,847)	-	-	-	-	(121,847)

Balance - August 31, 1996 4,426,455		9,931,767	29,795	4,518,507	(121,847)
Sale of Shares on September 12, 1996 100,000	2.00	50,000	150	99,850	-
Sale of Shares on September 16, 1996 160,500	2.00	80,250	241	160,259	-
Conversion of Debt 210,000	2.00	105,000	315	209,685	-
Sale of Shares on October 30, 1996 1,030,000	2.25	457,777	1,373	1,028,627	-
Issuance of Warrants 6,450	-	-	-	6,450	-
Sale of Shares on December 6, 1996 1,069,874	2.25	475,499	1,426	1,068,448	-
Sale of Shares on December 9, 1996 1,000,000	2.50	400,000	1,200	998,800	-
Sale of Shares on December 11, 1996 50,000	2.25	22,222	67	49,933	-
Sale of Shares on December 19, 1996 500,000	2.50	200,000	600	499,400	-
Sale of Shares on December 20, 1996 550,000	2.50	220,000	660	549,340	-
Sale of Shares on February 28, 1997 1,500,026	4.25 *	352,947	1,059	1,498,967	-
Sale of Shares on March 4, 1997 1,500,025	4.25 *	352,947	1,059	1,498,966	-
Sale of Shares on May 22, 1997 1,605,000	3.00	535,000	1,605	1,603,395	-
Issuance of Shares to Adjust Prices of Shares Sold on February 28 and March 4, 1997	- *	294,124	883	(883)	-
-					
Sale of Shares on June 26, 1997 100,000	3.00	33,333	100	99,900	-
Sale of Shares on July 24, 1997 750,000	3.00	250,000	750	749,250	-
Issuance of Shares in Connection with Financial Advisory Services 625,000	3.125	200,000	600	624,400	-
Sale of Shares on July 30, 1997 300,000	3.00	100,000	300	299,700	-
Sale of Shares on August 19, 1997 300,000	3.00	100,000	300	299,700	-
Expenses Related to Offering (1,153,441)	-	-	-	(1,153,441)	-
Net Loss (1,676,468)	-	-	-	-	(1,676,468)
-----		-----	-----	-----	-----
Balance - August 31, 1997 12,953,421		14,160,866	42,483	14,709,253	(1,798,315)
Sale of Shares on September 15, 1997 201,000	3.00	67,000	201	200,799	-
Sale of Shares on September 16, 1997 390,000	3.00	130,000	390	389,610	-
Expenses Related to Offerings (74,531)	-	-	-	(74,531)	-
Net Loss (255,382)	-	-	-	-	(255,382)
-----		-----	-----	-----	-----
Balance - November 30, 1997 13,214,508		14,357,866	\$ 43,074	\$15,225,131	\$ (2,053,697) \$
=====		=====	=====	=====	=====

* Additional shares were issued to the purchasers of shares sold on February 28, 1997 and March 4, 1997 pursuant to the terms of those sales.

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

</TABLE>

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	For the Three Months Ended November 30,		Cumulative from the Date of Inception
	1997	1996	
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	\$ (255,382)	\$ (158,116)	\$ (2,053,697)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:			
Depreciation	2,203	2,023	14,074
Compensation Paid in Common Stock	-	-	654,400
(Increase) in Accounts Receivable	(95,033)	-	(95,033)
(Increase) Decrease in Prepaid Expenses and Other Current Assets	36,857	(1,822)	(20,284)
Increase in Accounts Payable and Accrued Liabilities	125,374	81,290	513,665
NET CASH USED BY OPERATING ACTIVITIES	(185,981)	(76,625)	(986,875)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Furniture, Fixtures and Equipment	(1,451)	(6,180)	(63,129)
Increase in Other Assets	(15,000)	-	(15,000)
Proceeds from Sale of Oil and Gas Seismic Data	46,000	-	46,000
Investment in 3-D Exploration Program	(67,811)	(2,000,000)	(13,567,811)
NET CASH USED BY INVESTING ACTIVITIES	(38,262)	(2,006,180)	(13,599,940)
CASH FLOWS FROM FINANCIAL ACTIVITIES:			
Proceeds from Note Issuance	-	-	925,000
Repayment of Note	(500,000)	-	(715,000)
Sale of Common Stock	591,000	1,290,500	16,298,828
Issuance of Warrants	-	6,450	19,200
Offering Costs	(74,531)	(367,760)	(1,914,223)
Advances for Issuance of Common Stock	-	384,985	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	16,469	1,314,175	14,613,805
NET (DECREASE) INCREASE IN CASH	(207,775)	(768,630)	26,989
CASH - BEGINNING OF PERIOD	234,764	1,093,180	-
CASH - END OF PERIOD	26,989	324,550	26,989
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash Paid for Interest	\$ 6,718	\$ 8,570	\$ 22,353
Cash Paid for Income Taxes	\$ -	\$ -	\$ -

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

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The unaudited consolidated financial statements of Cheniere Energy, Inc. ("Cheniere" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. 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 of normal recurring adjustments necessary for a fair presentation, have been included.

For further information, refer to the financial statements and footnotes included in the Company's Annual Report on Form 10-K, as amended, for the year ended August 31, 1997. Interim results are not necessarily indicative of results to be expected for the full fiscal year ended August 31, 1998.

The Company is currently a development stage enterprise and reports as such under the provisions of SFAS No. 7. The Company's future business will be in the field of oil and gas exploration and exploitation.

NOTE 2 - NOTE PAYABLE - RELATED PARTY

On July 31, 1997, Cheniere borrowed \$500,000 from a related party, evidenced by a promissory note bearing interest at 10% per annum and due on August 29, 1997. On August 28, 1997, the maturity date was extended to September 29, 1997. On September 19, 1997, the note was repaid in full with interest. All collateral securing the note has been released.

NOTE 3 - COMMON STOCK ISSUANCE

During September 1997, pursuant to Regulation S promulgated under the Securities Act of 1933, the Company sold an aggregate of 197,000 shares of Common Stock to two offshore investors for gross proceeds of \$591,000 and net proceeds of \$531,900.

NOTE 4 - STOCK OPTIONS

On September 29, 1997, the Company's Board of Directors elected a new outside director. This director was granted options to purchase 25,000 shares of the Company's Common Stock at an exercise price of \$3.00 per share, the quoted market price on the date of grant. These options vest 12,500 on September 29, 1998, and 12,500 on September 29, 1999, and will expire on September 29, 2002. Also on September 29, 1997, the Company granted to each of two outside directors options to acquire 10,000 shares of the Company's Common Stock at an exercise price of \$3.00 per share, the quoted market price on the date of grant. These options will vest one year from the date of grant and will expire five years from the date of grant. All of the options described in this Note 4 were issued pursuant to an exemption from the securities registration provisions of the Securities Act of 1933 contained in Section 4(2).

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 5 - SUBSEQUENT EVENTS

In December 1997, Cheniere completed the private placement of a \$4 million bridge financing. The senior term notes issued by Cheniere mature March 15, 1998 and are extendible at the option of the Company to September 15, 1998. Proceeds from the bridge financing will be used to fund the Company's ongoing activities related to its 3-D seismic exploration project in Cameron Parish, Louisiana. Payment by Cheniere of \$2.9 million on December 31, 1997 completed the Company's payment obligation to earn a 50% interest in the project.

In connection with the bridge financing, Cheniere issued 100,000 shares of common stock and 4-year warrants to purchase 1,333,333 shares of Common Stock at \$2-3/8 per share. Annual interest on the senior term notes will accrue at LIBOR plus 4%. If all of the senior term notes are extended, additional warrants to purchase 266,667 shares of Cheniere Common Stock will be issued for each month the notes remain outstanding beyond March 15, 1998. The Company expects to file a Registration Statement to register the Common Stock issued and underlying the warrants no later than April 15, 1998. The bridge financing included two tranches, one domestic, one European. In conjunction with the European tranche, BSR Investments, Ltd., a major shareholder of the company, purchased \$2 million of the notes and pledged a portion of its Cheniere Common Stock to fund its participation.

Also in December 1997, Cheniere announced it is seeking to place privately a \$10 million equity offering in the form of 100,000 Units, each Unit being comprised of one share of Series A Convertible Preferred Stock and Warrants to purchase 20 shares of the Company's Common Stock. The Company seeks to complete the equity offering during the first half of 1998. Proceeds from the equity offering will be used to retire the bridge notes and to fund Cheniere's oil and gas exploration activities.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL - Cheniere Energy, Inc. is currently a development stage company and reports as such under the provisions of SFAS No. 7. Accordingly, the Company's unaudited consolidated financial statements and notes thereto relate to the three-month periods ended November 30, 1997 and 1996 and the period from inception (February 21, 1996) to November 30, 1997. These statements, the notes thereto and the consolidated financial statements included in the Company's Annual Report on Form 10-K for the period ended August 31, 1997 contain detailed information that should be referred to in conjunction with the following discussion.

PRIVATE PLACEMENT OF COMMON SHARES - In September 1997, pursuant to Regulation S promulgated under the Securities Act of 1933, the Company sold an aggregate of 197,000 shares of Common Stock to two offshore investors and received proceeds of \$531,900 net of placement fees from such sales. Information regarding each sale is set forth in the table below.

Date	Shares	Price	Proceeds	Fee/Commission	Net Proceeds
9/15	67,000	\$3.00	\$201,000	\$20,100	\$180,900
9/16	130,000	\$3.00	\$390,000	\$39,000	\$251,000

Proceeds from the sales of Common Stock made in September 1997, were used to fund the repayment of the Company's short-term note payable which matured September 29, 1997.

RESULTS OF OPERATIONS

COMPARISON OF THREE-MONTH PERIODS ENDED NOVEMBER 30, 1997 AND 1996 - The Company's operating results for the three months ended November 30, 1997 reflect a loss of \$255,382, or \$0.02 per share, compared to a loss of \$158,116 or \$0.02 per share a year earlier. The Company is in the development stage; accordingly, there continue to be no operating revenues. General and administrative expenses of \$309,975 in the three months ended November 30, 1997 were significantly higher than the \$145,928 reported for the comparable period a year earlier. The increased expenses include greater professional fees, additional insurance and increased printing costs as well as increased personnel costs. Interest expense of \$2,551 was less than the \$13,689 reported a year ago due to a decrease in the number of days the Company had interest-bearing obligations outstanding. Cheniere reported interest income of \$51,144 in the current-year's quarter compared to \$1,501 a year ago. The increase in income relates to an agreement that interest earned from inception to date on funds advanced by the Company to its exploration joint venture inures to the benefit of Cheniere.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has funded its capital expenditures and working capital requirements through private placements of equity securities and short-term debt issuances. Since its inception in February 1996, Cheniere has raised \$16.3 million through the sale of its Common Stock.

The Company expects drilling operations to commence on more than one prospect in the 3-D Exploration Program during 1998. The related capital needs of the Company will depend

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upon the level of participation it chooses to retain in the drilling projects. The Company expects to finance such activities through additional private placements of equity securities, short-term debt issuances or the partial sale of its interest in the projects.

At November 30, 1997, total assets were \$13,728,172 compared to \$13,841,712 at August 31, 1997. The decrease in assets is due primarily to the Company's repayment of a \$500,000 short-term note payable and to its operating loss for the three months, offset by the proceeds from the issuance of Common Stock

The Company's balance sheet at November 30, 1997 reflected current assets of \$142,306 and current liabilities of \$513,665. In addition, Cheniere had a contractual commitment to make a payment of \$2.9 million on December 31, 1997 in order to earn a 50% interest in its 3-D Exploration Program. The Company has no long term liabilities.

In December 1997, the Company completed a \$4,000,000 bridge financing and used a portion of the proceeds to meet its \$2.9 million obligation to earn the full 50% interest in its joint venture 3-D Exploration Program. It also initiated a \$10,000,000 offering of 100,000 units each comprised of one share of the Company's Preferred Stock and warrants to purchase 20 shares of Cheniere Common Stock. The Company seeks to complete the equity offering during the first half of 1998. Proceeds will be used to retire the bridge notes and to fund additional exploration expenditures.

OTHER

This document includes "forward looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended. Although the Company believes that the expectations reflected in such forward looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. Certain risks and uncertainties inherent in the Company's business are set forth in the filings of the Company with the Securities and Exchange Commission.

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PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES.

The information contained in Note 4 to the Consolidated Financial Statements is incorporated herein by reference.

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

The Company held an annual meeting of its shareholders on November 5, 1997. The following individuals, were nominated to be elected to the Board of Directors: William D. Forster, Kenneth R. Peak, Charif Souki, Walter L. Williams and Efrem Zimbalist III. In addition to the election of Directors, the following matters were submitted to a vote: the adoption of the 1997 Stock Option Plan; the Amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock, par value of \$.003 per share, to 40,000,000 shares and to increase the number of authorized shares of Preferred Stock, par value \$.0001 per share, to 5,000,000 shares; and the ratification and approval of the appointment of Merdinger, Fruchter, Rosen and Corso, P.C. as auditors of the Company. The results of voting on these matters is summarized in the following table:

<TABLE>
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Description	Votes For	Votes Against	Abstentions or Broker Non-Votes
<S>	<C>	<C>	<C>
William D. Forster	10,464,736	- 0 -	- 0 -
Kenneth R. Peak	10,464,736	- 0 -	- 0 -
Charif Souki	10,464,736	- 0 -	- 0 -
Walter L. Williams	10,464,736	- 0 -	- 0 -
Efrem Zimbalist III	10,464,736	- 0 -	- 0 -
1997 Stock Option Plan	7,233,003	87,049	3,144,726
Approve Auditors	10,460,727	4,051	- 0 -

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Each of the following exhibits is filed herewith:

Exhibit No.	Description
3.3	Amendment to Amended and Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock from 20,000,000 to 40,000,000 and to increase the number of authorized shares of Preferred Stock from 1,000,000 to 5,000,000.
10.25	Cheniere Energy, Inc. 1997 Stock Option Plan.
27.1	Financial Data Schedule

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(b) The following reports on Form 8-K were filed for the three months ended November 30, 1997:

Current Report on Form 8-K, filed on September 24, 1997 under Item 5 reporting the repayment by Cheniere of a \$500,000 short-term note and the extension of payments due under the Company's 3-D Exploration Agreement until December 31, 1997, and under Item 9 reporting the sale of 197,000 shares of Common Stock pursuant to Regulation S under the Securities Act of 1933,

Current Report on Form 8-K, filed on October 10, 1997 under Item 5 reporting a new outside director appointment and management changes.

SIGNATURES

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

CHENIERE ENERGY, INC.

/s/ Don A. Turkleson

Don A. Turkleson
Chief Financial Officer

Date: January 14, 1998

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STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATION
FILED 09:00 AM 11/13/1997
971387924 - 2005509

CERTIFICATE OF AMENDMENT
TO THE
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
CHENIERE ENERGY, INC.

Pursuant to Section 242 of the General Corporation Law of the State of Delaware, Cheniere Energy, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Company"),

DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Company (the "Board"), by the unanimous written consent of its members, filed with the minutes of the Board, adopted a resolution proposing and declaring advisable an amendment to the Amended and Restated Certificate of Incorporation of the Company. The resolution setting forth the proposed amendment is as follows:

NOW, THEREFORE, BE IT RESOLVED, that, the first sentence and items (1) and (2) of Article Fourth of the Company's Amended and Restated Certificate of Incorporation be amended to be and read in their entirety as follows:

FOURTH: The total number of shares of stock that the Company shall have authority to issue is 45,000,000 shares, consisting of:

- (1) 40,000,000 shares of Common Stock, having a par value of \$.003 per share; and
- (2) 5,000,000 shares of Preferred Stock with a par value of \$.0001 per share.

SECOND: That thereafter, the 1997 annual meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by Walter L. Williams, its President and Chief Executive Officer, this 5th day of November 1997.

/S/ WALTER L. WILLIAMS

Walter L. Williams
President and Chief Executive Officer

CHENIERE ENERGY, INC.

1997 STOCK OPTION PLAN

ARTICLE I

PURPOSE

1.1 This Cheniere Energy, Inc. 1997 Stock Option Plan is intended to advance the interests of the Company and its stockholders and subsidiaries by attracting, retaining and motivating the performance of selected directors, officers and employees of the Company of high caliber and potential upon whose judgment, initiative and effort the Company is largely dependent for the successful conduct of its business, and to encourage and enable such directors, officers and employees to acquire and retain a propriety interest in the Company by ownership of its stock.

ARTICLE II

DEFINITIONS

2.1 "Board" means the Board of Directors of the Company.

2.2 "Code" means the Internal Revenue Code of 1986, as amended.

2.3 "Common Stock" means the Company's Common Stock, par value \$.003 per share.

2.4 "Committee" means a committee appointed by the Board consisting of not less than two directors who fulfill the "non-employee director" requirements of Rule 16b-3 under the Exchange Act and the "outside director" requirements of Section 162(m) of the code. Without limitation, the Committee may be the Compensation Committee, if any, of the Board, or any subcommittee of the Compensation Committee or the Board, provided that the members of the Committee satisfy the requirements of the previous sentence. The Board shall have the power to fill vacancies on the Committee arising by resignation, death, removal or otherwise. The Board, in its sole discretion, may bifurcate the powers and duties of the Committee among one or more separate committees, or retain all powers and duties of the Committee in a single Committee. The members of the Committee shall serve at the discretion of the Board.

Notwithstanding the preceding paragraph, the term "Committee" as used in the Plan with respect to any Nonqualified Stock Option for a Committee member shall refer to the Board. In the case of a Nonqualified Stock Option for a Committee member, the Board shall have all the powers and responsibilities of the Committee hereunder as to such Option, and any actions as to such Options may be acted upon only by the Board (unless it otherwise designates in its discretion). When the Board exercises its authority to act in the capacity as the Committee hereunder with respect to a Nonqualified Stock Option for a Committee member, it shall so designate with respect to any action that it undertakes in its capacity as the Committee.

2.5 "Company" means Cheniere Energy, Inc., a Delaware corporation.

2.6 "Covered Employee" means a named executive officer who is one of the group of covered employees as defined in Section 162(m) of the Code and Treasury Regulation (S) 1.162-27(c) (or its successor).

2.7 "Date of Grant" means the date on which an Option becomes effective in accordance with Section 6.1 hereof.

2.8 "Eligible Person" means any person who is a director, officer or employee of the Company or any Subsidiary.

2.9 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.10 "Fair Market Value" means the last reported sales price of the Common Stock on the principal trading market on which the Common Stock is listed

or traded on the date as of which fair market value is to be determined or, in the absence of any reported sales of Common Stock on such date, on the first preceding date on which any such sale shall have been reported. If Common Stock is not listed or traded on the date as of which fair market value is to be determined, the Committee shall determine in good faith the fair market value in whatever manner it considers appropriate.

2.11 "Incentive Stock Option" means a stock option granted under the Plan that is intended to meet the requirements of Section 422 of the Code and regulations promulgated thereunder.

2.12 "Insider" means an individual who is, on the relevant date, an officer, director or ten percent (10%) beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act.

2.13 "Nonqualified Stock Option" means a stock option granted under the Plan that is not an Incentive Stock Option.

2.14 "Option" means an Incentive Stock Option or a Nonqualified Stock Option granted under the Plan.

2.15 "Optionee" means an Eligible Person to whom an Option has been granted, which Option has not expired, under the Plan.

2.16 "Option Price" means the price at which each share of Common Stock subject to an Option may be purchased, determined in accordance with Section 6.2 hereof.

2.17 "Performance-Based Exception" means the performance-based exception from the tax deductibility limitations of Section 162(m) of the Code, as prescribed in Section 162(m) of the Code and Treasury Regulation (S) 1.162-27(e) (or its successor).

2.18 "Plan" means this Cheniere Energy, Inc. 1997 Stock Option Plan, as it may be amended from time to time.

2.19 "Stock Option Agreement" means an agreement between the Company and an Optionee under which the Optionee may purchase Common Stock under the Plan.

2.20 "Subsidiary" means a subsidiary corporation of the Company, within the meaning of Section 424(f) of the Code.

ARTICLE III

ELIGIBILITY

All Eligible Persons are eligible to receive a grant of an Option under the Plan. The Committee shall, in its sole discretion, determine and designate from time to time those Eligible Persons who are to be granted an Option.

ARTICLE IV

ADMINISTRATION

4.1 Committee Members. The Plan shall be administered by the Committee appointed by the Board.

4.2 Committee Authority. Subject to the express provisions of the Plan, the Committee shall have the authority, in its discretion, to determine the Eligible Persons to whom an Option shall be granted, the time or times at which an Option shall be granted, the number of shares of Common Stock subject to each Option, the Option Price of

the shares subject to each Option, and the time or times when each Option shall become exercisable and the duration of the exercise period.

Subject to the express provisions of the Plan, the committee shall also have discretionary authority to interpret to Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the details and provisions of each Stock Option Agreement, and to make all the determinations necessary or advisable in the administration of the Plan. All such actions and determinations by the Committee shall be conclusively binding for all purposes and upon all persons. No Committee member shall be liable for any action or determination made in good faith with respect to the Plan, any option or any Stock Option Agreement entered into hereunder.

4.3 Majority Rule. A majority of the members of the Committee (or, if less than three, all of the members) shall constitute a quorum, and any action taken by a majority present at a meeting at which a quorum is present or any

action taken without a meeting evidenced by a writing executed by a majority of the whole Committee shall constitute the action of the Committee.

4.4 Company Assistance. The Company shall supply full and timely information to the Committee on all matters relating to Eligible Persons, their employment or other service to the Company, their death, disability or other termination of service, and such other pertinent facts as the Committee may require. The Company shall furnish the Committee with such clerical and other assistance as is necessary in the performance of its duties.

ARTICLE V

SHARES OF STOCK SUBJECT TO PLAN

5.1 Number of Shares. Subject to adjustment pursuant to the provisions of Section 5.2 hereof, the maximum number of shares of Common Stock which may be issued and sold hereunder shall be 950,000 shares. Shares of Common Stock issued and sold under the Plan may be either authorized but unissued shares or shares held in the Company's treasury. Shares of Common Stock covered by an Option that shall have been exercised shall not again be available for an Option grant. If an Option shall terminate for any reason (including, without limitation, the cancellation of an Option pursuant to Section 6.6 hereof) without being wholly exercised, the number of shares to which such Option termination relates shall again be available for grant hereunder. Unless and until the Committee determines that a particular Option granted to a Covered Employee is not intended to comply with the Performance-Based Exception, the following rules shall apply to grants of Options to Covered Employees:

(a) Subject to adjustment as provided in Section 5.2, the maximum aggregate number of Options for shares of Common Stock that may be granted in any calendar year to any Covered Employee shall be five hundred thousand (500,000) shares.

(b) With respect to any Option granted to a Covered Employee that is canceled or repriced, the number of shares of Common Stock subject to such Option shall continue to count against the maximum number of shares that may be the subject of Options granted to such Covered Employees under subsection (a) above and, in this regard, such maximum shall be determined in accordance with Section 162(m) of the Code.

(c) The limitations of subsections (a) and (b) above shall be construed and administered so as to comply with the Performance-Based Exception.

5.2 Antidilution. Subject to Article IX hereof, in the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger or consolidation, or the sale, conveyance, or other transfer by the Company of all or substantially all of its property, or any other change in the corporate structure or shares of the Company, pursuant to any of which events the then outstanding shares of Common Stock are split up or combined, or are changed into, become exchangeable at the holder's election for or entitle the holder thereof to, other shares of stock, or in the case of any other transaction described in Section 424(a) of the Code, the Committee may change the number and kind of shares (including by substitution of shares of another corporation) subject to the Options and/or the Option Price of such shares in the manner that it shall deem to be equitable and appropriate. In no event may any such change

be made to an Incentive Stock Option which would constitute a "modification" within the meaning of Section 424(h)(3) of the Code.

ARTICLE VI

OPTIONS

6.1 Grant of Option. An Option may be granted to any Eligible Person selected by the Committee. The grant of an Option shall first be effective upon the date it is approved by the Committee, except to the extent the Committee shall specify a later date upon which the grant of an Option shall first be effective. Each Option shall be designated, at the discretion of the Committee, as an Incentive Stock Option or a Nonqualified Stock Option, provided that Incentive Stock Options may only be granted to Eligible Persons who are considered employees of the Company or any Subsidiary for purposes of Section 422 of the Code. The Company and the Optionee shall execute a Stock Option Agreement which shall set forth such terms and conditions of the Option as may be determined by the Committee to be consistent with the Plan, and which may include additional provisions and restrictions that are not inconsistent with the Plan.

6.2 Option Price. The Option Price shall be determined by the Committee; provided, however, the Option Price of an Incentive Stock Option shall not be less than 100 percent of the Fair Market Value of a share of Common Stock on the Date of Grant. To the extent that a Nonqualified Stock Option is intended to qualify for the Performance-Based Exception, the Option Price shall not be less than 100% of the Fair Market Value per share of Common Stock on the Date of Grant.

No employee shall be eligible for the grant of any Incentive Stock Option who owns, or would own immediately before the grant of such Incentive Stock Option, directly or indirectly, stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, or any parent or Subsidiary of the Company. This restriction does not apply if, at the time such Incentive Stock Option is granted, the Option exercise price is at least one hundred and ten percent (110%) of the Fair Market Value on the date of grant and the Incentive Stock Option by its terms is not exercisable after the expiration of five (5) years from the date of grant. For the purpose of the immediately preceding sentence, the attribution rules of Section 424(d) of the Code shall apply for the purpose of determining an employee's percentage ownership in the Company or any parent or Subsidiary. This paragraph shall be construed consistent with the requirements of Section 422 of the Code.

6.3 Vesting; Term of Option. Unless otherwise specified by the Committee in the Stock Option Agreement for an Optionee, an Option shall vest and become exercisable in cumulative annual installments, each of which shall relate to one quarter of the number of shares of Common Stock originally covered thereby (adjusted in accordance with Section 5.2 hereof), on the second, third, fourth and fifth anniversaries of the Date of Grant, respectively, provided that the Optionee is an Eligible Person on such anniversary. Notwithstanding the foregoing, the Committee, in its sole discretion, may accelerate the exercisability to the extent provided in Article VIII hereof. The period during which a vested Option may be exercised shall be ten years from the Date of Grant, unless a shorter exercise period is specified by the Committee in the Stock Option Agreement for any Optionee.

6.4 Option Exercise; Withholding. An Option may be exercised in whole or in part at any time, with respect to whole shares only, within the period permitted for the exercise thereof, and shall be exercised by written notice of intent to exercise the Option with respect to a specified number of shares delivered to the company at its principal office, and payment in full to the Company at said office of the amount of the Option Price for the number of shares of the Common Stock with respect to which the Option is then being exercised. Payment of the Option Price shall be made (i) in cash or by cash equivalent, (ii) at the discretion of the Committee, in Common Stock (not subject to limitations on transfer) valued at the Fair Market Value of such shares on the trading date immediately preceding the date of exercise or (iii) at the discretion of the Committee, by a combination of such cash and such Common Stock. In addition to and at the time or payment of the Option Price, the Optionee shall pay to the Company in cash or, at the discretion of the Committee, in Common Stock the full amount of all federal and state withholding and other employment taxes applicable to the taxable income of such Optionee resulting from such exercise.

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6.5 Nontransferability of Option. No Option shall be transferred by an Optionee other than by will or the laws of descent and distribution. No transfer of an Option by the Optionee by will or by laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and an authenticated copy of the will and/or such other evidence as the Committee may deem necessary to establish the validity of the transfer. During the lifetime of an Optionee, the Option shall be exercisable only by him, except that, in the case of an Optionee who is legally incapacitated, the Option shall be exercisable by his guardian or legal representative.

6.6 Cancellation, Substitution and Amendment of Options. The Committee shall have the authority to effect, at any time and from time to time, with the consent of the affected Optionees, (i) the cancellation of any or all outstanding Options and the grant in substitution therefor of new Options covering the same or different numbers of shares of Common Stock and having an Option Price which may be the same as or different than the Option Price of the canceled Options or (ii) the amendment of the terms of any and all outstanding Options.

ARTICLE VII

INCENTIVE STOCK OPTIONS

7.1 Annual Limits. No Incentive Stock Option shall be granted to an Optionee as a result of which the aggregate Fair Market Value (determined as at

the date of grant) of the stock with respect to which Incentive Stock Options are exercisable for the first time in any calendar year under the Plan (and any other stock option plans of the Company, any Subsidiary or any parent corporation) would exceed \$100,000, as determined in accordance with Section 422(d) of the Code. This limitation shall be applied by taking Options into account in the order in which granted.

Notwithstanding any contrary provision in the Plan, to the extent that the aggregate Fair Market Value (determined as of the time the Incentive Stock Option is granted) of the shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Grantee during any single calendar year (under the Plan and any other stock option plans of the Company and its Subsidiaries or parent) exceeds the sum of \$100,000, such Incentive Stock Option shall be treated as a Nonqualified Stock Option and not an Incentive Stock Option, but all other terms and provisions of such Stock Option shall remain unchanged. This paragraph shall be applied by taking Incentive Stock Options into account in the order in which they are granted.

7.2 Disqualifying Dispositions. If shares of Common Stock acquired by exercise of an Incentive Stock Option are disposed of within two years following the Date of Grant or one year following the transfer of such shares to the Optionee upon exercise, the Optionee shall, within 10 days after such disposition, notify the Company in writing of the date and terms of such disposition and provide such other information regarding the disposition as the Committee may reasonably require. With respect to any disqualifying disposition of shares of Common Stock received by an Optionee pursuant to the exercise of an Incentive Stock Option, the Company shall have the right to withhold from any salary, wages or other compensation payable by the Company to the Optionee an amount sufficient to satisfy federal, state and local tax withholding requirements attributable to such disqualifying disposition.

7.3 Other Terms and Conditions. Any Incentive Stock Option granted hereunder shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as are deemed necessary, or desirable by the Committee, which terms, together with the terms of this Plan, shall be intended and interpreted to cause such Incentive Stock Option to qualify as an "incentive stock option" under Section 422 of the Code.

ARTICLE VIII

TERMINATION OF SERVICE

8.1 Death. Except if otherwise provided in the Stock Option Agreement, if an Optionee shall die at any time after the Date of Grant and while he is an Eligible Person, the executor or administrator of the estate of the decedent, or the person or persons to whom an Option shall have been validly transferred in accordance with Section 6.5 hereof pursuant to will or the laws of descent and distribution, shall have the right, during the period ending one year after the date of the Optionee's death (subject to Section 6.3 hereof concerning the maximum term of an Option), to exercise the Optionee's Option to the extent that it was exercisable at the date of the Optionee's death and shall not have

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been previously exercised. The Committee may determine at or after grant to make any portion of his Option that is not exercisable at the date of death immediately vested and exercisable. No Incentive Stock Option may be exercised more than one year after the Optionee's termination of employment due to death.

8.2 Disability. Except if otherwise provided in the Stock Option Agreement, if an Optionee's employment or other service with the Company or any Subsidiary shall be terminated as a result of his permanent and total disability (within the meaning of Section 22(e)(3) of the Code) at any time after the Date of Grant and while he is an Eligible Person, the Optionee (or in case of an Optionee who is legally incapacitated, his guardian or legal representative) shall have the right, during a period ending one year after the date of his termination due to disability (subject to Section 6.3 hereof concerning the maximum term of an Option), to exercise such Option to the extent that it was exercisable at the date of such termination of employment or other service and shall not have been exercised. The Committee may determine at or after grant to make any portion of this Option that is not exercisable at the date of termination of employment or other service due to disability immediately vested and exercisable. No Incentive Stock Option may be exercised more than one year after the Optionee's termination of employment due to disability.

8.3 Termination of Cause. If an Optionee's employment or other service with the Company or any Subsidiary shall be terminated for cause, the Optionee's right to exercise any unexercised portion of this Option shall immediately terminate and all rights thereunder shall cease. For purposes of this Section 8.3, termination for "cause" shall include, but not be limited to, embezzlement or misappropriation of funds, any acts of dishonesty resulting in conviction for

a felony, misconduct resulting in material injury to the Company or any Subsidiary, significant activities harmful to the reputation of the Company or any Subsidiary, a significant violation of Company or Subsidiary policy, willful refusal to perform, or substantial disregard of, the duties properly assigned to the Optionee, or a significant violation of any contractual statutory or common law duty of loyalty to the Company or any Subsidiary. The Committee shall have the power to determine whether the Optionee has been terminated for cause and the date upon which such termination for cause occurs. Any such determination shall be final, conclusive and binding upon the Optionee.

8.4 Other Termination of Service. Except if otherwise provided in the Stock Option Agreement, if an Optionee's employment or other service with the Company or any Subsidiary shall be terminated for any reason other than death, permanent and total disability or termination for cause, the Optionee shall have the right, during the period ending 90 days after such termination (subject to Section 6.3 hereof concerning the maximum term of an Option), to exercise such Option to the extent that it was exercisable at the date of such termination and shall not have been exercised. For purposes of this Section 8.4, an Optionee shall not be considered to have terminated employment or other service with the Company or any Subsidiary until the expiration of the period of any military, sick leave or other bona fide leave of absence, up to a maximum period of 90 days (or such greater period during which the Optionee is guaranteed reemployment either by statute or contract).

ARTICLE IX

CHANGE IN CONTROL

9.1 Change in Control. Upon a "change in control" of the Company (as defined in Section 9.2), each outstanding Option, to the extent that it shall not otherwise have become vested, shall become fully and immediately vested (without regard to any otherwise applicable vesting requirement under Section 6.3 or in the Stock Option Agreement) and an Optionee shall surrender his Option and receive with respect to each share of Common Stock issuable under such Option outstanding at such time, a payment in cash equal to the excess of the Fair Market Value of the Common Stock at the time of the change in control over the Option Price of the Common Stock; provided, however, that no such vesting and cash payment shall occur if (i) the change in control has been approved by at least two-thirds of the members of the Board who were serving as such immediately prior to such transaction and (ii) provision has been made in connection with such transaction for (a) the continuation of the Plan and/or the assumption of such Options by a successor corporation (or a parent or subsidiary thereof) or (b) the substitution for such Options of new options covering the stock of a successor corporation (or a parent or subsidiary thereof), with appropriate adjustments as to the number and kinds of shares and exercise prices. In the event of any such continuation, assumption or substitution, the Plan and/or such Options shall continue in the manner and under the terms so provided.

9.2 Definition. For purposes of Section 9.1 hereof, a "change in control" of the Company shall mean:

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(a) The acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of the total voting power of all the Company's then outstanding securities entitled to vote generally in the election of directors to the Board; provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a change in control; (i) any acquisition by the Company or its parent or Subsidiaries, (ii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or its parent or Subsidiaries, or (iii) any acquisition consummated with the prior approval of the Board; or

(b) During the period of two consecutive calendar years, individuals who at the beginning of such period constitute the Board, and any new director(s) whose (i) election by the Board or (ii) nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, should cease for any reason to constitute a majority of the Board; or

(c) The Company becomes a party to a merger, plan of reorganization, consolidation or share exchange in which either (i) the Company will not be the surviving corporation or (ii) the Company will be the surviving corporation and any outstanding shares of the Company's common stock will be converted into shares of any other company (other than a reincorporation

or the establishment of a holding company involving no change of ownership of the Company) or other securities, cash or other property (excluding payments made solely for fractional shares); or

(d) The shareholders of the Company approve a merger, plan of reorganization, consolidation or share exchange with any other corporation, and immediately following such merger, plan of reorganization, consolidation or share exchange the holders of the voting securities of the Company outstanding immediately prior thereto hold securities representing fifty percent (50%) or less of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger, plan of reorganization, consolidation or share exchange; provided, however, that notwithstanding the foregoing, no change in control shall be deemed to have occurred if one-half (1/2) or more of the members of the Board of the Company or such surviving entity immediately after such merger, plan of reorganization, consolidation or share exchange is comprised of persons who served as directors of the Company immediately prior to such merger, plan of reorganization, consolidation or share exchange or who are otherwise designees of the Company; or

(e) Upon approval by the Company's stockholders of a complete liquidation and dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company other than to a parent or Subsidiary; or

(f) Any other event that a majority of the Board, in its sole discretion, shall determine constitutes a change in control for purposes of Section 9.1.

Notwithstanding the occurrence of any of the foregoing events of this Section 9.2 which would otherwise result in a change in control, the Board may determine in its sole discretion, if it deems it to be in the best interest of the Company, that an event or events otherwise constituting a change in control shall not be considered a change in control. Such determination shall be effective only if it is made by the Board as it is constituted prior to the occurrence of an event that otherwise would be or probably would lead to a change in control; or after such event if made by the Board a majority of which is composed of directors who were members of the Board immediately prior to the event that otherwise would be or probably would lead to a change in control.

9.3 Exchange of Options. The Committee may, in its discretion, permit any Optionee to surrender outstanding Options in order to exercise or realize his rights under other Options or in exchange for the grant of new Options, or require holders of Options to surrender outstanding Options as a condition precedent to the grant of new Options.

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ARTICLE X

STOCK CERTIFICATES

10.1 Issuance of Certificates. Subject to Section 10.2 hereof, the Company shall issue a stock certificate in the name of the Optionee (or other person exercising the Option in accordance with the provisions of the Plan) for the shares of Common Stock purchased by exercise of an Option as soon as practicable after due exercise and payment of the aggregate Option Price for such shares. A separate stock certificate or separate stock certificates shall be issued for any shares of Common Stock purchased pursuant to the exercise of an Option that is an Incentive Stock Option, which certificate or certificates shall not include any shares of Common Stock that were purchased pursuant to the exercise of an Option that is a Nonqualified Stock Option.

10.2 Conditions. The Company shall not be required to issue or deliver any certificate for shares of Common Stock purchased upon the exercise of any Option granted hereunder or any portion thereof prior to fulfillment of all of the following conditions:

(a) The completion of any registration or other qualification of such shares, under any federal or state law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, that the Committee shall in its sole discretion deem necessary or advisable;

(b) The obtaining of any approval or other clearance from any federal or state governmental agency which the Committee shall in its sole discretion determine to be necessary or advisable;

(c) The lapse of such reasonable period of time following the exercise of the Option as the Committee from time to time may establish for reasons

of administrative convenience;

(d) Satisfaction by the Optionee of all applicable withholding taxes or other withholding liabilities; and

(e) If required by the Committee, in its sole discretion, the receipt by the Company from an Optionee of (i) a representation in writing that the shares of Common Stock received upon exercise of an Option are being acquired for investment and not with a view to distribution and (ii) such other representations and warranties as are deemed necessary by counsel to the Company.

10.3 Legends. The Company reserves the right to legend any certificate for shares of Common Stock, conditioning sales of such shares upon compliance with applicable federal and state securities laws and regulations.

ARTICLE XI

EFFECTIVE DATE, TERMINATION AND AMENDMENT

11.1 Effective Date. The Plan shall become effective on the date of its adoption by the Board; provided, however that no Option shall be exercisable by an Optionee unless and until the Plan shall have been approved by the stockholders of the Company, which approval shall be obtained within 12 months before or after the adoption of the Plan by the Board. If the stockholders fail to approve the Plan within one year from the Effective Date, any Options granted hereunder shall be null and void and of no effect.

11.2 Termination and Amendment. The Plan shall terminate on the date immediately preceding the tenth anniversary of the earlier of the date the Plan is adopted by the Board or the date the Plan is approved by the Company's stockholders. Notwithstanding the foregoing, the Board shall have complete power and authority to terminate the Plan at an earlier date or to amend the Plan; provided, however, the Board shall not, without the approval of the stockholders of the Company within the time period required by applicable law, (a) increase the maximum number of shares which may be issued under the Plan pursuant to Section 5.1, (b) amend the requirements as to the class of employees eligible to receive Options for Common Stock under the Plan, (c) extend the term of the Plan, or (d) decrease the authority granted to the Committee under the Plan in contravention of (i) Rule 16b-3 under the Exchange Act or (ii) Section

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162(m) of the Code to the extent that the Committee seeks compliance with Section 162(m). No termination or amendment of the Plan shall adversely affect the rights of an Optionee (or his permitted transferee) under a previously granted or transferred Option without his written consent.

In addition, to the extent that the Committee determines that (a) the listing for qualification requirements of any national securities exchange or quotation system on which the Common Stock is then listed or quoted, or (b) the Code (or regulations promulgated thereunder), require stockholder approval in order to maintain compliance with such listing requirements or to maintain any favorable tax advantages or qualifications, then the Plan shall not be amended in such respect without obtaining the approval of the Company's stockholders within the prescribed time period.

With respect to insiders, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act. Any ambiguities or inconsistencies in the construction of any Stock Option Agreement or the Plan shall be interpreted to give effect to such intention.

Unless otherwise determined by the Committee with respect to any particular Option grant, it is intended that the Plan comply fully with and meet all the requirements of Section 162(m) of the Code so that any Stock Options that are granted to Covered Employees shall qualify for the Performance-Based Exception. If any provision of the Plan or a Stock Option Agreement would not permit the Plan or Stock Option to comply with the Performance-Based Exception as so intended, such provision shall be construed or deemed amended to conform to the requirements of the Performance-Based Exception to the extent permitted by applicable law and deemed advisable by the Committee; provided, however, no such construction or amendment shall have an adverse effect on the prior grant of any Stock Option or on the economic value to an Optionee (or his permitted transferee) of any outstanding Stock Option.

ARTICLE XII

MISCELLANEOUS

12.1 Employment or other Service. Nothing in the Plan, in the grant of any Option or in any Stock Option Agreement shall confer upon any Eligible Person the right to continue in the capacity in which he is employed by or otherwise provides services to the Company or any Subsidiary. Notwithstanding anything contained in the Plan to the contrary, unless otherwise provided in a Stock

Option Agreement, no Option shall be affected by any change of duties or position of the Optionee (including a transfer to or from the Company or any Subsidiary), so long as such Optionee continues to be an Eligible Person.

12.2 Rights as Shareholder. An Optionee or the permitted transferee of an Option shall have no rights as a shareholder with respect to any shares subject to such Option prior to the purchase of such shares by exercise of such Option as provided herein. Nothing contained herein or in the Stock Agreement relating to any Option shall create an obligation on the part of the Company to repurchase any shares of Common Stock purchased hereunder.

12.3 Compensation and Benefit Plans. The adoption of the Plan shall not affect any other stock option or incentive or other compensation plans in effect for the Company or any Subsidiary, nor shall the Plan preclude the Company from establishing any other forms of incentive or other compensation for employees of the Company or any Subsidiary. The amount of any compensation deemed to be received by an Optionee as a result of the exercise of an Option or the sale of shares received upon such exercise shall not constitute compensation with respect to which any other employee benefits of such Optionee are determined, including, without limitation, benefits under any bonus, pension, profit sharing, life insurance or salary continuation plan, except as otherwise specifically determined by the Board or the Committee or provided by the terms of such plan.

12.4 Plan Binding n Successors. The Plan shall be binding upon the Company, its successors and assigns, and the Optionee, his executor, administrator and permitted transferees.

12.5 Construction and Interpretation. Whenever used herein, nouns in the singular shall include the plural, and the masculine pronoun shall include the feminine gender. Headings of Articles and Sections hereof are inserted for convenience and reference and constitute no part of the plan.

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12.6 Severability. If any provision of the Plan or any Stock Option Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

12.7 Governing Law. The validity and Construction of this Plan and of the Stock Option Agreements shall be governed by the laws of the State of Texas, without regard to its conflicts of law provisions.

This Cheniere Energy, Inc. 1997 Stock Plan was originally adopted and approved by the Board of Directors of Cheniere Energy, Inc., on April 22, 1997. By unanimous written consent of the Board of Directors dated October 2, 1997, the Plan was amended and restated effective as of April 22, 1997.

/s/ CHARIF SOUKI

Secretary of Cheniere Energy, Inc.

This Cheniere Energy, Inc. 1997 Stock Option Plan was duly approved by the stockholders of Cheniere Energy, Inc. on the 5th day of November, 1997.

/s/ Charif Souki

Secretary of Cheniere Energy, Inc.

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