

1,302,550 SHARES  
CHENIERE ENERGY, INC.

COMMON STOCK

This Prospectus covers 1,302,550 shares of Common Stock, \$.003 par value (the "Common Stock" or the "Shares"), of Cheniere Energy, Inc. ("Cheniere Energy" or the "Company"), which may be offered from time to time by one or all of the selling stockholders named herein (the "Selling Stockholders"). The Company will receive no part of the proceeds of such sales, but it will receive payment for the exercise price of any Warrants in the event that any of the Warrants are exercised.

The shares of Common Stock being registered pursuant to the registration statement of which this prospectus is a part include (i) 70,000 shares issued in connection with a Stock Purchase Agreement dated as of May 22, 1998 between the Company and Dewey Ballantine LLP, a New York limited liability partnership ("Dewey Ballantine"), and related transactions described in a letter agreement dated May 22, 1998 between the Company and Dewey Ballantine, (ii) 227,144 shares issued in connection with a private placement conducted by the Company in April 1998, (iii) 31,428 shares issued in connection with a private placement conducted by the Company in May 1998, (iv) 890,644 shares issued in connection with a private placement conducted by the Company in June 1998 and (v) 83,334 shares issuable upon the exercise of warrants exercisable on or before June 4, 2002 at an exercise price of \$2.00 per share. For more information concerning the Shares and the transactions pursuant to which they were or will be issued, see "Issuance of Securities to Selling Stockholders" and "Description of Securities."

The Company will bear all expenses with respect to the offering of the Common Stock, except any underwriting discounts, selling commissions, stock transfer taxes, and fees and disbursements of counsel for the Selling Stockholders. To the extent required, the specific shares of Common Stock to be sold, the names of the Selling Stockholders, the public offering price, the names of any agent dealer or underwriter and any applicable commission or discount with respect to any particular offer is set forth herein or will be set forth in an accompanying Prospectus Supplement. See "Selling Stockholders" and "Plan of Distribution."

The Company's Common Stock is traded on The Nasdaq SmallCap Market under the symbol "CHEX." The last reported sales price of the Common Stock on The Nasdaq SmallCap Market on July 1, 1998 was \$2 13/64 per share.

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SEE "RISK FACTORS" BEGINNING ON PAGE 4,  
FOR INFORMATION THAT SHOULD BE CONSIDERED  
BY PROSPECTIVE INVESTORS.  
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The date of this Prospectus is July 2, 1998

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.

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No person is authorized in connection with any offering made hereby to give any information or to make any representation not contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or the Selling Stockholders. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any security other than the shares of Common Stock offered hereby, nor does it constitute an offer to sell or a solicitation of an offer to buy any of the shares offered hereby to any person in any jurisdiction in which it is unlawful to make such an offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

ADDITIONAL INFORMATION

This Prospectus constitutes a part of a Registration Statement on Form S-3 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information set

forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the shares of Common Stock offered hereby, reference is hereby made to the Registration Statement. Statements contained herein concerning the provisions of any document are not necessarily complete, and each such statement is qualified in its entirety by reference to the copy of such document filed with the Commission.

#### AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy and information statements and other information with the Commission. Such reports, proxy and information statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, NW, Washington, D.C. 20549, and at the following Regional Offices of the Commission: New York Regional Office, Seven World Trade Center, New York, New York 10048, and Central Regional Office, 1801 California Street, Suite 4800, Denver, Colorado 80202. Copies of such material can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, NW, Washington, D.C. 20549 upon payment of the prescribed fees. The Common Stock of the Company is quoted on The Nasdaq SmallCap Market. Reports, proxy and

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information statements and other information concerning the Company may be inspected at The Nasdaq Stock Market at 1735 K Street, NW, Washington, D.C. 20006. In addition, the Commission maintains a World Wide Web site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Company with the Commission are hereby incorporated by reference in this Prospectus:

- (1) The Company's Annual Report on Form 10-K for the year ended August 31, 1997, including the amendment thereto on Form 10-K/A;
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 1997;
- (3) The Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 1998;
- (4) The Company's Current Report on Form 8-K dated August 28, 1997 (filed September 24, 1997);
- (5) The Company's Current Report on Form 8-K dated September 29, 1997 (filed October 10, 1997); and
- (6) The Company's Current Report on Form 8-K dated December 18, 1997 (filed December 18, 1997).
- (7) The Company's Current Report on Form 8-K dated April 21, 1998 (filed April 23, 1998).
- (8) The Company's Current Report on Form 8-K dated May 19, 1998 (filed May 22, 1998).

All reports and other documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference herein, to the extent required, and to be a part hereof from the date of filing of such reports and documents. Any statement incorporated herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company hereby undertakes to provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus has been delivered, upon written or oral request of such person, a copy of any or all of the foregoing documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into such documents). Requests for such documents should be

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submitted in writing to Don A. Turkleson, Chief Financial Officer, Cheniere Energy, Inc., 1200 Smith Street, Suite 1740, Houston, Texas 77002-4312 or by telephone to Mr. Turkleson at (713) 659-1361.

#### RISK FACTORS

#### SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Prospectus (including the documents incorporated by reference herein) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding the Company's expectations, beliefs, intentions or future strategies. All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward looking statements. Actual results could differ materially from those expressed or implied in the forward-looking statements as a result of known and unknown risks, uncertainties and other factors, including the risk factors set forth below and in the documents incorporated by reference herein. In evaluating the Company's business, prospective investors should carefully consider the following risk factors in addition to the other information set forth herein or incorporated herein by reference.

#### FACTORS RELATING TO THE COMPANY

##### Limited Operating History

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 Energy Operating Co., Inc. ("Cheniere Operating"). Following a reorganization with Bexy Communications, Inc. ("Bexy"), Cheniere Operating became a wholly-owned subsidiary of Cheniere on July 3, 1996. From inception (February 21, 1996) to February 28, 1998, the Company incurred a net loss of \$2,490,738 and for the six-month period ended February 28, 1998, the Company incurred a net loss of \$692,424. The Company is likely to continue to incur losses during the remainder of 1998, and possibly beyond, depending on whether it generates sufficient revenue from producing reserves acquired either through acquisitions or drilling activities.

##### Limited Assets; No Proven Reserves or Current Production

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 the Exploration Agreement. Since almost all of the Company's assets are represented by the investment to date in the 3-D Exploration Program (as defined below) and additional amounts will be invested, the Company is highly dependent on the success of the 3-D Exploration Program.

##### Need for Additional Financing

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The Company presently has no operating revenues and does not expect to generate meaningful operating revenues before 1999. Additional capital will be required to pay for the Company's share of costs relating to the development of prospects the Company may wish to pursue, to exercise lease options, to acquire additional oil and gas leases and to drill wells on potential prospects, the total amount of which will be determined by the results of seismic operations and by the portion of the Company's 50% working interest that is retained. The Company anticipates that its share of these expenditures could exceed \$2 million during the remainder of calendar 1998. In addition, the Company will need funds for the repayment of \$4.2 million in short-term senior notes payable that will mature on or before September 15, 1998 as well as any accrued interest thereon. As of February 28, 1998, the Company had only \$482,173 of current assets. Should the Company choose to make an acquisition of producing oil and gas properties, it is likely that such an acquisition would require that some portion of the purchase price be paid in cash, and thus create the need for additional capital. 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 working interest in the prospects within the 3-D Exploration Program (which would reduce any future revenues from the 3-D Exploration Program). The Company's ability to raise additional capital will depend on its results of operations and the status of various capital and industry 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.

##### 3-D Exploration Program Payments; Insufficient Capital

In accordance with the terms of an Exploration Agreement between Cheniere Operating and Zydeco Exploration, Inc. ("Zydeco"), an operating subsidiary of Zydeco Energy, Inc. (the "Exploration Agreement"), Cheniere has made seismic fund payments totaling \$16.4 million and has earned a 50% interest in the seismic data. Zydeco is obligated under the terms of the Exploration Agreement to develop prospects from its analysis of the seismic data and to present such prospects to Cheniere for Cheniere's election as to participation. Should Cheniere elect to participate in a prospect proposed by Zydeco, Cheniere must make payment to Zydeco as a reimbursement of prospect expenses within 45 days of the date such expenses are billed by Zydeco. Cheniere Operating has in the past

failed to make seismic fund 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 make required payments to the 3-D Exploration Program in the future. Neither Cheniere Operating nor Cheniere currently has sufficient capital to meet its future payment obligations under the Exploration Agreement if it elects to participate in prospects proposed thereunder and there can be no assurance that Cheniere Operating or Cheniere will successfully secure the necessary funds.

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#### Arbitration Proceedings

On April 21, 1998, the Company announced that Zydeco had filed an arbitration petition against the Company with respect to certain disputes concerning the Exploration Agreement. Recently, differences have arisen between the two companies over the rights and obligations of the parties and the claims for reimbursement of certain seismic costs and expenses incurred by Zydeco. Zydeco has characterized these differences as involving the scope of pre-drilling activities that are permitted to be conducted by the Company and allegations that the Company has disseminated confidential seismic data. The Company believes that it has properly earned and preserved its interest in the leases acquired in connection with the Exploration Agreement and that all of its actions to date, including its handling of confidential data, are entirely within the scope of the Exploration Agreement. The Company has filed a counterclaim in the arbitration proceedings alleging Zydeco is liable for material misrepresentations, mismanagement, and breaches of the Exploration Agreement.

On May 15, 1998, Zydeco filed an amended claim against the Company and Cheniere Operating that adds allegations of conversion, tortious interference with prospective contacts, breach of fiduciary duties and an unspecified amount of actual damages and punitive damages. The amended claim also adds allegations against two of the Company's employees, which allegations had originally been made in a lawsuit in state court.

On May 21, 1998, a panel of three arbitrators was appointed by the American Arbitration Association to hear this dispute. The arbitrators have not yet held an initial scheduled conference and there is not yet in place any schedule.

The Company feels that it will ultimately prevail in the arbitration process. To the extent that Zydeco is awarded damages or that Cheniere is ordered to cease certain activities under the Exploration Agreement, the Company could be materially adversely affected.

#### Lack of Liquidity of the Common Stock

For January 1, 1998 through June 19, 1998, the average daily trading volume of the Common Stock of Cheniere was approximately 25,000 shares. 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 listed on The Nasdaq SmallCap Market.

#### No Dividends

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 the Company, its capital requirements and general business conditions.

#### Possible Issuance of Additional Shares; Shareholder Dilution

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Cheniere has 45,000,000 authorized shares of stock, consisting of (a) 40,000,000 shares of the Common Stock, having a par value of \$.003 per share, and (b) 5,000,000 shares of preferred stock, having a par value of \$.0001 per share (the "Preferred Stock"). As of June 19, 1998, approximately 59.5% 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, to repay \$4.2 million in short-term senior notes payable and/or to finance future oil and gas exploration projects. In addition, Cheniere has reserved 1,853,334 and 2/3 shares of the Common Stock for issuance upon the exercise of outstanding warrants and 950,000 shares of the Common Stock for issuance upon the exercise of stock options. As of June 19, 1998, there are 686,444 and 2/3 issued and outstanding options to purchase Common Stock. 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 Securities."

#### 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. The Company currently has eight full-time employees.

#### Dependence on Industry Partners

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, Co-Chairman of the Board of Directors of the Company, and BSR Investments, Ltd. ("BSR"), an entity under the control of a member of the immediate family of Charif Souki, Co-Chairman of the Board of Directors of the Company, own in the aggregate approximately 34.3% of the outstanding Common Stock (including warrants held by BSR for the purchase of 166,667 shares of 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 prevent or cause a change in control of Cheniere.

#### Certain Anti-Takeover Provisions

The Company's Certificate of Incorporation and By-laws and the Delaware General Corporation Law contain provisions that may have the effect of discouraging unsolicited takeover proposals for the Company. These

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provisions, among other things, authorize the Board of Directors to designate the terms of and issue new series of preferred stock, limit the personal liability of directors, require the Company to indemnify directors and officers to the fullest extent permitted by applicable law and impose restrictions on business combinations with certain interested parties.

#### FACTORS RELATING TO THE OIL AND GAS INDUSTRY

##### Operating Hazards and Uninsured 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.

##### 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 (as defined below) by the 3-D Exploration Program 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 Exploration Program's efforts will be successful.

##### 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 Exploration Program

except to the extent they have granted lease options to the 3-D Exploration Program. Other major and independent oil and gas companies having financial resources significantly greater than those of the 3-D Exploration Program may bid against the 3-D Exploration Program for the purchase of oil and gas leases. Accordingly, there can be no assurance that the 3-D Exploration Program 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

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which could be subsequently explored through drilling would be reduced to the extent that the 3-D Exploration Program is not successful at such acquisitions.

#### 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 Exploration Program. There can be no assurance that the Company or the 3-D Exploration Program will be able to compete effectively with such firms.

#### Risks of Turnkey Contracts

The Company anticipates that any wells to be drilled in which the Company will have an interest will be drilled by established industry contractors under turnkey contracts that limit the Company's financial and legal exposure. Under a turnkey drilling contract a negotiated price is agreed upon and the money placed in escrow. The contractor then assumes all of the risk and expense, including any cost overruns, of drilling a well to contract depth and completing any agreed upon evaluation of the wellbore. Upon performance of all these items, the escrowed money is released to the contractor.

On a footage or day work basis, all risk and expense, including cost overruns, of drilling a well to total depths lies with the operator. Circumstances may arise where a turnkey contract is not economically beneficial to the Company or is otherwise unobtainable from proven industry contractors. In such instances, the Company may decide to drill, or cause to be drilled, the applicable well(s) on either a footage or day work 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

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any cost overruns attributable to downhole drilling problems that otherwise would have been covered by a turnkey contract had one been negotiated.

#### 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 effect 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 effect 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 effect on the Company's operations.

#### 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"). References herein to the "Company" or "Cheniere" refer to Cheniere Energy, Inc. and its wholly owned subsidiaries. Cheniere is a Houston-based company formed for the purpose of oil and gas exploration, and if warranted, development and exploitation. Cheniere is currently involved in a joint exploration program which is engaged in the exploration for oil and natural gas along the Gulf Coast of Louisiana, onshore and in the shallow waters of the Gulf of Mexico. The Company commenced its oil and gas activities through such joint program in April 1996.

THE COMPANY HAS NOT YET ESTABLISHED OIL AND GAS PRODUCTION, NOR HAS IT BOOKED PROVEN OIL AND GAS RESERVES. The Company is currently a development

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stage enterprise with no operating revenues and no expectation of generating meaningful operating revenues before the latter part of calendar year 1998.

Cheniere is involved with one major project, a joint exploration program pursuant to the Exploration Agreement with regard to a proprietary 3-D seismic exploration project in southern Louisiana (the "3-D Exploration Program"). Cheniere owns a 50% interest in the 3-D Exploration Program. The 3-D seismic survey covers 228 square miles within a 310 square-mile area running three to five miles north and generally eight miles south of the coastline in the most westerly 28 miles of Cameron Parish, Louisiana (the "Survey AMI"). Field acquisition of the seismic data was completed in July 1997, area-wide processing was completed in December 1997, leasing activities were begun in March 1998, and further interpretation of the seismic data continues.

Cheniere has been publicly traded since July 3, 1996 under the name Cheniere Energy, Inc. The Company's principal executive offices are located at 1200 Smith Street, Suite 1740, Houston, Texas 77002, and its telephone number is (713) 659-1361.

#### USE OF PROCEEDS

The Company will not receive any proceeds from the sale of the Shares. Based on the current exercise price of the Warrants (as defined below), if all of the Warrants are exercised, the Company will receive proceeds of up to approximately \$166,668. The Company expects to use any such proceeds for ongoing activities related to its 3-D seismic exploration project in Cameron Parish, Louisiana, working capital and/or general corporate purposes.

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#### SELLING STOCKHOLDERS

The following table sets forth certain information known to the Company with respect to beneficial ownership of the Company's Common Stock as of June 19, 1998 by each Selling Stockholder.

<TABLE>  
<CAPTION>

Name of Beneficially Selling After Offering (2)	Shares Beneficially Owned Prior to Offering (1)	Number of Shares of Common Stock	Amount of Shares Offered Hereby (2)	
			Shares of Common Stock Underlying Warrants to Purchase Common Stock (3)	Shares Owned the

Percent	Number	Percent			Number
<S>	<C>	<C>	<C>	<C>	<C>
Alfieri, John B.	18,000	*	18,000	0	0
0					
Apex Investments, Ltd.	350,000	2.2	150,000	0	0
0					
Astor, Laudimir Trust	89,286	*	26,786	0	62,500
*					
Bahna, Ralph M.	25,000	*	25,000	0	0
0					
Brander, Martin	29,286	*	14,286	0	15,000
*					
Brandrup, Douglas W.	35,000	*	35,000	0	0
0					
Bristol Asset Management, LLC	178,572	1.1	178,572	0	0
0					
Decoteau, Murry A., DDS	150,000	*	50,000	0	100,000
*					
Dewey Ballantine, L.L.P. (4)	70,000	*	70,000	0	0
0					
Emerson, J. Steven IRA	71,429	*	21,429	0	50,000
*					
Friedman, Joel	18,000	*	18,000	0	0
0					
Gisborne Capital Ltd.	178,572	1.1	178,572	0	0
0					
Guildford Manor, Ltd.	207,143	1.3	47,143	0	160,000
*					
Hellmold, Ralph O.	196,583.33	1.2	35,000	0	161,583.33
1.0					
Kessler, Paul L. IRA Rollover	89,286	*	26,786	0	62,500
*					
Merback, Arden	17,571	*	8,571	0	9,000
*					
Moshen, Eli	19,571	*	8,571	0	11,000
*					
Neel, John S.	58,015	*	3,571	7,500	46,944
*					
Ostis Ventures Ltd.	142,857	*	42,857	0	100,000
*					
Piddock, James	9,500	*	9,500	0	0
0					
Reimer, Charles M. (5)	28,571	*	8,571	0	20,000
*					
Robinson, Joe Sam Jr., M.D.	262,390	1.6	28,571	60,000	173,819
1.1					
Robinson, Mixon	121,429	*	71,429	0	50,000
*					
Runnels, G. Tyler	71,429	*	21,429	0	50,000
*					
Smisson, Hugh F. III, M.D.	184,039	1.1	67,857	15,834	100,348
*					
Tuck, Patricia R.	18,000	*	18,000	0	0
0					
Turkleson, Don A. (6)	25,000	*	25,000	0	0
0					
Van Straaten, Thomas Trust	35,719	*	10,714	0	25,000
*					

</TABLE>

\* Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules and regulations of the Commission and generally includes voting or investment power with respect to securities. Information with respect to beneficial ownership is based on information as of June 19, 1998 and assumes that there is outstanding an aggregate of 16,207,082 shares of Common Stock. Warrants to purchase shares of Common Stock which are currently exercisable or will become exercisable within 60 days of June 19, 1998 are deemed to be outstanding for purposes of the individuals named in this chart. Except as indicated otherwise in the footnotes below, and subject to community property laws where applicable, the Company believes based on information furnished by the Selling Stockholders that the persons named in the table above have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

(2) Assumes the sale of all Shares offered hereby and no other purchases or sales of the Company's Common Stock. See "Plan of Distribution."



- (3) All Warrants are immediately exercisable.
- (4) Dewey Ballantine, L.L.P. previously served as the Company's outside corporate legal counsel.
- (5) Charles M. Reimer is a Director of the Company.
- (6) Don A. Turkleson is the Chief Financial Officer of the Company.

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#### ISSUANCE OF SECURITIES TO SELLING STOCKHOLDERS

On May 22, 1998, the Company entered into a Stock Purchase Agreement and a letter agreement with Dewey Ballantine LLP, a New York limited liability partnership ("Dewey Ballantine"), pursuant to which the Company agreed to issue 70,000 shares of Common Stock to Dewey Ballantine to satisfy in whole or in part a debt in the amount of \$214,699.94 owed by the Company to Dewey Ballantine in respect of professional services and advice rendered to the Company by Dewey Ballantine. In the event the net proceeds received by Dewey Ballantine from the sale of such 70,000 shares are less than \$214,699.94, the Company has agreed either (i) to issue Dewey Ballantine such number of additional shares of Common Stock until Dewey Ballantine receives aggregate net proceeds from the sale of such 70,000 shares and such additional shares of \$214,699.94, or (ii) to pay Dewey Ballantine an amount equal to the difference between \$214,699.94 and the net proceeds received by Dewey Ballantine from the sale of such 70,000 shares.

In June 1998, the Company issued 890,644 shares of Common Stock to 16 investors at a price of \$1.40 per share pursuant to Regulation D promulgated by the Securities and Exchange Commission. The Company had previously sold shares of Common Stock to investors at a price of \$2.00 per share in April 1998 and May 1998 pursuant to Regulation D. In view of the disparity in the sales prices among offerings conducted in close proximity to one another, the Board of Directors of the Company elected to grant the investors who purchased shares in the April 1998 and May 1998 offerings an additional number of shares to enable such investors to receive the benefit of purchasing shares at a price of \$1.40 per share. Accordingly, 236,572 additional shares of Common Stock have been issued to 12 investors who purchased shares from the Company in April 1998 and May 1998.

In connection with the issuance of \$180,000 of senior term notes payable in June 1998, the Company issued warrants to purchase 83,334 shares of Common Stock. Such warrants are exercisable, in whole or in part, at any time on or before June 4, 2002 at an exercise price of \$2.00 per share.

#### DESCRIPTION OF SECURITIES

Cheniere has 45,000,000 authorized shares of stock, consisting of (a) 40,000,000 shares of the Common Stock, having a par value of \$.003 per share, and (b) 5,000,000 shares of preferred stock, having a par value of \$.0001 per share (the "Preferred Stock").

The shares of Common Stock being registered pursuant to the registration statement of which this prospectus is a part include (i) 70,000 shares issued in connection with a Stock Purchase Agreement dated as of May 22, 1998 between the Company and Dewey Ballantine, and related transactions described in a letter agreement dated May 22, 1998 between the Company and Dewey Ballantine, (ii) 227,144 shares issued in connection with a private placement conducted by the Company in April 1998, (iii) 31,428 shares issued in connection with a private placement conducted by the Company in May 1998, (iv) 890,644 shares issued in connection with a private placement conducted by the Company in June 1998 and (v) 83,334 shares issuable upon the exercise of warrants exercisable on or before June 4, 2002 at an exercise price of \$2.00 per share. For more

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information concerning the Shares and the transactions pursuant to which they were or will be issued, see "Issuance of Securities to Selling Stockholders."

#### COMMON STOCK

As of June 19, 1998, there were 16,207,082 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. See "Possible Anti-Takeover Provisions."

#### 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 registering the Common Stock issuable upon the exercise of certain of 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

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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 the same terms as the June Warrants), in accordance with the terms of the original Note Agreement, which expires on June 14, 1999.

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 (the "Commission Warrants"). Such Commission 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 August 1996, the Company sold 100,000 units, each unit consisting of 5 shares of Common Stock and a warrant to purchase one share of Common Stock. Each warrant is exercisable on or before September 1, 1999 at an exercise price of \$3.125 per share (subject to customary anti-dilution adjustments).

In December 1997, the Company issued Bridge Warrants to purchase 1,333,334 shares of Common Stock on or before December 31, 2001 at an exercise price of \$2.375 per share. The Bridge Notes were originally scheduled to mature on March 15, 1998. The maturity date was extended, at the option of the Company, to September 15, 1998. The Company is obligated to issue additional Bridge Warrants to purchase 266,667 shares of Common Stock with respect to each month that the Bridge Notes remain outstanding beyond March 15, 1998. However, the Common Stock issuable upon the exercise of any such additional Bridge Warrants is not being registered pursuant to the registration statement of which this Prospectus is a part. See "Issuance of Securities to Selling Stockholders."

In conjunction with a private placement of Common Stock in March 1997 the Company issued 50,000 warrants to a financial advisor. The warrants were issued in March 1998 at an exercise price of \$3.125 per share and are exercisable on or

before March 31, 2000.

In conjunction with the issuance of \$180,000 senior term notes payable in June 1998, the Company issued warrants to purchase 83,334 shares of Common Stock at an exercise price of \$2.00 per share. Such warrants are exercisable

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on or before June 4, 2002 at an exercise price of \$2.00 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 5,000,000 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). Cheniere is currently subject to Section 203.

In addition, William D. Forster, Co-Chairman of the Board of Directors of the Company, and BSR Investments, Ltd. ("BSR"), an entity under the control of a member of the immediate family of Charif Souki, Co-Chairman of the Board of Directors of the Company, own in the aggregate approximately 34.3% 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 the Company.

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#### TRANSFER AGENT AND REGISTRAR

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

#### PLAN OF DISTRIBUTION

Shares of Common Stock covered hereby may be offered and sold from time to time by the Selling Stockholders. The Selling Stockholders will act independently of the Company in making decisions with respect to the timing, manner and size of each sale. The Selling Stockholders may sell the Shares being offered hereby: (i) on the Nasdaq SmallCap Market, or otherwise at prices and at terms then prevailing or at prices related to the then current market price; or (ii) in private sales at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. The Selling Stockholders and any underwriter, dealer or agent who participate in the distribution of such shares may be deemed to be "underwriters" under the Securities Act, and any discount, commission or concession received by such persons might be deemed to be an underwriting discount or commission under the Securities Act. The Company has agreed to indemnify the Selling Stockholders against certain liabilities arising under the Securities Act.

Any broker-dealer participating in such transactions as agent may receive

commissions from the Selling Stockholders (and, if acting as agent for the purchaser of such shares, from such purchaser). Usual and customary brokerage fees will be paid by the Selling Stockholders. Broker-dealers may agree with the Selling Stockholders to sell a specified number of shares at a stipulated price per share, and, to the extent such a broker-dealer is unable to do so acting as agent for the Selling Stockholders, to purchase as principal any unsold shares at the price required to fulfill the broker-dealer commitment to the Selling Stockholders. Broker-dealers who acquire shares as principal may thereafter resell such shares from time to time in transactions (which may involve crosses and block transactions and which may involve sales to and through other broker-dealers, including transactions of the nature described above) in the over-the-counter market, in negotiated transactions or by a combination of such methods of sale or otherwise at market prices prevailing at the time of sale or at negotiated prices, and in connection with such resales may pay to or receive from the purchasers of such shares commissions computed as described above.

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 five 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, Regulation M, which may limit the timing of purchases and sales of shares of Common Stock by the Selling Stockholders.

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The Selling Stockholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act. Any commissions paid or any discounts or concessions allowed to any such broker-dealers, and any profits received on the resale of such shares, may be deemed to be underwriting discounts and commissions under the Securities Act if any such broker-dealers purchase shares as principal.

In order to comply with the securities laws of certain states, 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 such shares have 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.

The Company 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. No sales may be made pursuant to this Prospectus after such date unless the Company amends or supplements this Prospectus to indicate that it has agreed to extend such period of effectiveness. There can be no assurance that the Selling Stockholders will sell all or any of the shares of Common Stock offered hereunder.

#### LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon by Mayor, Day, Caldwell & Keeton, L.L.P., Houston, Texas, counsel to the Company.

#### EXPERTS

The consolidated financial statements and schedule of the Company appearing in the Company's Annual Report on Form 10-K for the year ended August 31, 1997, have been audited by Merdinger, Fruchter, Rosen & Corso, P.C., independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference. Such consolidated financial statements and schedule are incorporated herein by reference in reliance upon such reports given upon the authority of such firms as experts in accounting and auditing.

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