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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[X] Preliminary Proxy Statement

[] Confidential, for Use of the Commission Only (as permitted by
Rule 14a-6(e) (2))

[] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 240.14a-12

CHENIERE ENERGY, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (set forth the amount on which
the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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[] Fee paid previously with preliminary materials.

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number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CHENIERE ENERGY, INC.
Two Allen Center
1200 Smith Street, Suite 1740
Houston, Texas 77002-4312
713/659-1361

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held June 4, 1999

Notice is hereby given that the annual meeting of stockholders of Cheniere Energy, Inc., a Delaware corporation (the "Company"), will be held on Friday, June 4, 1999, at 10:00 a.m., at Two Allen Center, 1200 Smith Street, Suite 1740, Houston, Texas, for the following purposes:

1. To elect a Board of seven directors to serve until the next annual meeting of stockholders and until their successors are elected and qualified;
2. To approve a proposed amendment to the Company's 1997 Stock Option Plan to increase the number of shares of common stock subject to the Plan from 950,000 to 1,950,000;
3. To approve an amendment to the Company's Amended and Restated Certificate of Incorporation pursuant to which (a) the total number of shares of the Company's capital stock would be increased to 65,000,000 and (b) the number of shares of the Company's authorized common stock, par value \$.003 per share, would be increased to 60,000,000;
4. To appoint PricewaterhouseCoopers LLP as independent accountants for the Company for the fiscal year ending December 31, 1999; and
5. To consider and act upon such other business as may properly be presented to the meeting or any adjournment thereof.

A record of stockholders has been taken as of the close of business on April 15, 1999, and only those stockholders of record on that date will be entitled to notice of and to vote at the meeting or any adjournment thereof. All stockholders of the Company are invited to attend the meeting. The Board of Directors, however, requests that you promptly sign, date and mail the enclosed proxy, even if you plan to be present at the meeting. If you attend the meeting, you can either vote in person or by your proxy. Please return your proxy in the enclosed, postage-paid envelope.

By order of the Board of Directors,

Don A. Turkleson
Secretary

April 30, 1999

CHENIERE ENERGY, INC.
Two Allen Center
1200 Smith Street, Suite 1740
Houston, Texas 77002-4312
713/659-1361

PROXY STATEMENT

This Proxy Statement and the enclosed proxy are being mailed to stockholders of Cheniere Energy, Inc., a Delaware corporation (the "Company"), commencing on or about April 30, 1999. The Company's Board of Directors is soliciting proxies to be voted at the Company's annual meeting of stockholders to be held in Houston, Texas on Friday, June 4, 1999 and at any adjournment thereof, for the purposes set forth in the accompanying notice. The shares covered by a proxy, if such is properly executed and received prior to the meeting, will be voted in

accordance with the directions specified thereon regarding election of directors, proposed amendment of the 1997 Stock Option Plan, proposed amendment of the Company's Amended and Restated Certificate of Incorporation to increase total authorized capital stock and common stock, appointment of PricewaterhouseCoopers LLP as independent accountants, and with respect to any other matters which may properly come before the meeting, in accordance with the judgment of the persons designated as proxies. A proxy may be revoked at any time before it is exercised by giving written notice to, or filing a duly executed proxy bearing a later date with, the Secretary of the Company, or by voting in person at the meeting. Management expects that the only matters to be presented for action at the meeting will be the election of directors, amendment of the 1997 Stock Option Plan, approval of the proposed amendment of Company's Amended and Restated Certificate of Incorporation to increase total authorized capital stock and common stock, and appointment PricewaterhouseCoopers LLP as independent accountants.

At the close of business on April 15, 1999, the record date for determining the stockholders entitled to notice of and to vote at the meeting (the "Record Date"), there were outstanding and entitled to vote 22,670,752 shares of the Company's common stock, par value \$.003 per share ("Common Stock"). Each share of Common Stock entitles the holder to one vote on all matters presented at the meeting.

The Company will bear the costs of soliciting proxies in the accompanying form. In addition to solicitations by mail, a number of regular employees of the Company may solicit proxies in person or by telephone.

ELECTION OF DIRECTORS

Nominees

At the meeting, seven nominees are to be elected to the Company's Board of Directors, each director to hold office until the next annual meeting of stockholders and until his successor is elected and qualified. Unless your proxy specifies otherwise or withholds authority to vote for one or more nominees named thereon and described below, it is intended that the shares represented by your proxy will be voted for the election of these seven nominees. Proxies cannot be voted for a greater number of persons than the number of nominees named. If any nominee should become unavailable for election, your proxy may be voted for a substitute nominee selected by the Board, or the Board may be reduced accordingly. The Board is unaware of any circumstances likely to render any nominee unavailable.

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Director Nominee -----	Director Since -----	Age ---	Position -----
William D. Forster	1996	51	Director and Co-Chairman of the Board of Directors
Michael L. Harvey	1999	51	Director
Kenneth R. Peak	1997	53	Director
Charles M. Reimer	1998	54	Director
Charif Souki	1996	46	Director and Co-Chairman of the Board of Directors
Walter L. Williams	1996	71	Director and President and Chief Executive Officer
Efrem Zimbalist, III	1996	51	Director

WILLIAM D. FORSTER, a co-founder of Cheniere, is currently Co-Chairman of the Board of Directors of Cheniere and a member of the Stock Option Committee. Mr. Forster is Chairman and CEO of Stonington Corporation in New York, NY. He served as President and Chief Executive Officer of Cheniere from July 1996 to September 1997. Mr. Forster was an investment banker with Lehman Brothers from 1975 to 1990, serving as a Managing Director for eleven years, initially in the oil and gas department for seven years, and then in various other areas. In 1990, he founded his own private investment bank, W. Forster & Co. Inc. Mr. Forster is a director of Equity Oil Company, a Nasdaq National Market company. Mr. Forster holds a B.A. in economics from Harvard College and an M.B.A. from Harvard Business School.

MICHAEL L. HARVEY is currently a director of Cheniere. He is Managing Partner and Co-Founder of Vaquero Capital Partners, LLC, which provides investment banking and capital formation for independent oil and gas companies. Mr. Harvey began his career in 1973 with Shell Oil Company in Corporate Planning and Economics. He served as Manager of Land Operations for General Crude Oil Company from 1977 to 1979, when he joined Roy M. Huffington, Inc. as Vice President. In 1987, Mr. Harvey founded Gulfstar Petroleum Corporation, Gulfstar Operating Company and Gulfstar Energy, Inc. He served as President and CEO of

the companies until 1997, when Gulfstar Energy was merged into Domain Energy Corporation (now Range Resources). He was Executive Vice President and a Director for Domain in 1997 and 1998. In 1999, Mr. Harvey formed Vaquero Capital Partners and presently serves as Managing Partner. He continues as Chairman of Estrella del Golfo, LLC, which he co-founded in 1996 to conduct exploration and production asset management in Venezuela.

KENNETH R. PEAK is currently a director of the Company and a member of the Audit Committee and the Stock Option Committee. Mr. Peak has been the President of Peak Enernomics, Incorporated, a company engaged in consulting activities in the oil and gas industry, since forming the company in 1990. From 1989 to 1990 Mr. Peak served as a Managing Director and Co-Manager, Corporate Finance of Howard Weil Incorporated, an investment banking firm. Prior to joining Howard Weil Incorporated, Mr. Peak served as Vice President-Finance for Forest Oil Corporation from 1988 to 1989. Mr. Peak received a B.S. in physics from Ohio University and an M.B.A. from Columbia University. He currently serves as a director of NL Industries, Inc. and EarthCare Company.

CHARLES M. REIMER is currently a director of Cheniere and a member of the Stock Option Committee. He is also President of British-Borneo Exploration Inc. in Houston. Prior to joining British Borneo in November 1998, Mr. Reimer served as Chairman and CEO of Virginia Indonesia Company (VICO), the operator on behalf of Union Texas Petroleum Holdings, Inc. and LASMO plc, of major gas and oil reserves and production located in East Kalimantan, Indonesia. Mr. Reimer began his career with Exxon Company USA in 1967 and held various professional and management positions in Texas and

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Louisiana. After leaving Exxon, Mr. Reimer was named President of Phoenix Resources Company in 1985 and relocated to Cairo, Egypt to begin eight years of international assignments.

CHARIF SOUKI, a co-founder of Cheniere, is currently Co-Chairman of the Board of Directors of the Company and is a member of the Audit Committee and the Stock Option Committee. Mr. Souki is an independent investment banker with twenty years of experience in the industry. In the past few years he has specialized in providing financing for promising microcap and small capitalization companies with an emphasis on the oil and gas industry. Mr. Souki received his B.A. from Colgate University and his M.B.A. from Columbia University.

WALTER L. WILLIAMS is currently President and Chief Executive Officer and a director of the Company. Prior to joining the Company, Mr. Williams spent 32 years as a founder and later Chairman and Chief Executive Officer of Texoil, Inc., a publicly held Gulf Coast exploration and production company. Prior to that time he was an independent petroleum consultant. Mr. Williams received a B.S. in petroleum engineering from Texas A&M University and is a Registered Engineer in Louisiana and Texas. He serves on the board of directors of Texoil, Inc. and has served as a Director and Member of the Executive Committee of the Board of the Houston Museum of Natural Science.

EFREM ZIMBALIST, III is currently a director of the Company, Chairman of the Audit Committee and a member of the Stock Option Committee. He is also President and Chief Executive Officer of Times Mirror Magazines, a division of Times Mirror Co., and a Vice President of Times Mirror Co. From 1993 to 1995 he served Times Mirror Co. as Vice President, Strategic Development. Previously he served as Chairman and Chief Executive Office of Correia Art Glass, Inc., a family owned business. He also served five years as senior engagement manager at the management consulting firm of McKinsey and Co., Inc. in Los Angeles. Mr. Zimbalist holds a B.A. in economics from Harvard College and an M.B.A. from Harvard Business School.

Board and Committee Activity, Structure and Compensation

The Company's operations are managed under the broad supervision and direction of the Board of Directors, which has the ultimate responsibility for the establishment and implementation of the Company's general operating philosophy, objectives, goals and policies. Pursuant to delegated authority, certain Board functions are discharged by the Board's standing Audit Committee. Members of the Audit Committee for a given year are selected by the Board following the annual stockholders' meeting. During the fiscal year ended December 31, 1998, the Company's Board of Directors held six meetings and each incumbent member of the Board attended or participated in at least 75% of the aggregate number of (i) Board meetings and (ii) committee meetings held by all committees of the Board on which he served.

The Audit Committee annually recommends independent accountants for appointment by the Board of Directors, reviews the services to be performed by the independent accountants, and receives and reviews the reports submitted by them. The committee also determines the duties and responsibilities of the Company for the conduct of its internal audit program and receives and reviews reports submitted by the Chief Financial Officer. The Audit Committee held one meeting during the year ended December 31, 1998. The committee's members for the year ended December 31, 1998 and the committee's current members are Efrem

Zimbalist III, Chairman, Kenneth R. Peak and Charif Souki.

The Stock Option Committee determines the eligible persons to whom stock options may be granted, the time or times at which options shall be granted, the number of shares of common stock subject to each option, the exercise price for the purchase of shares subject to each option, the time or times when each option shall become exercisable and the duration of the exercise period. The committee also has discretionary authority to interpret the stock option 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 determinations necessary or advisable in administration of the plan. The Stock Option Committee held one meeting during the year ended December 31, 1998. The committee's members for the year ended December 31, 1998 and the committee's current members are: William D. Forster, Kenneth R. Peak, Charles M. Reimer, Charif Souki and Efrem Zimbalist III.

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During the fiscal year ended December 31, 1998, directors received no cash remuneration for serving on the Board of Directors of the Company, nor were they compensated for attending Board or committee meetings. From time to time, outside members of the Board of Directors (those who do not serve as executive officers of the Company) are compensated for their services to the Company through the grant of options to purchase common stock of the Company. During the year ended December 31, 1998, Mr. Reimer received options to purchase 35,000 shares of common stock at an exercise price of \$3.00 per share on or before April 6, 2003. In March 1999, Mr. Harvey received options to purchase 35,000 shares of common stock at an exercise price of \$3.00 per share on or before March 17, 2004.

PROPOSED AMENDMENT TO 1997 STOCK OPTION PLAN
INCREASING NUMBER OF SHARES SUBJECT TO PLAN

The Company's Board of Directors has approved and declared the advisability of amending the Company's 1997 Stock Option Plan to increase the total number of shares subject to the Plan from 950,000 to 1,950,000. The amendment would change the first sentence of Article V Section 5.1 to read:

"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 1,950,000."

The purpose of the Plan is 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 proprietary interest in the Company by ownership of its stock. The purpose of the amendment is to provide the Company with maximum flexibility and additional resources with which to achieve the objectives of the Plan.

General and Administration. The Plan provides for the grant of Nonqualified Stock Options and Incentive Stock Options. It is administered by a Committee comprised solely of directors each of whom is (i) an "outside director" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) a "non-employee director" as defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as selected by the Board of Directors; provided, however, with respect to any Nonqualified Stock Options for directors who are Committee members, the Board of Directors shall function in the capacity as the Committee under the Plan. The Committee will select the persons who, from time to time, will receive Options, the number that they are to receive, the Option price of the shares, the vesting date, and the expiration date.

Shares of Stock Subject to Plan. Pursuant to the Plan, the Company may grant Options exercisable for up to 950,000 shares of common stock, which is proposed to be increased to 1,950,000. Those shares may be either authorized but unissued shares or shares held in the Company's treasury. If any outstanding Option terminates for any reason, the shares of common stock subject to the unexercised portion of such Option become available for new Option grants. The number of shares of common stock which may be issued under the Plan and pursuant to then outstanding Stock Options are subject to adjustments to prevent enlargement or dilution of rights resulting from stock dividends, stock splits, recapitalizations, reorganizations or similar transactions.

Options. The two types of Options which the Committee may grant under the Plan are Nonqualified Stock Options and Incentive Stock Options. Incentive Options may only be granted to Eligible Persons who are considered employees of the Company or any Subsidiary. An Option will be effective on the date it is approved by the Committee unless the Committee specifies a later effective date. The Company and the Optionee shall enter into a Stock Option Agreement which details the terms and conditions of the Options granted. The Committee sets the Option Price, however, the Option Price of an Incentive Stock Option shall not

be less than 100% (110% in the case of certain 10% shareholders) of the

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Fair Market Value of a share of common stock on the date of grant. A Nonqualified Stock Option that is intended to qualify as performance based compensation to an officer subject to Section 162(m) of the Code must be granted with an exercise price equal to 100% of the fair market value of a share of common stock on the grant date. An Option shall vest and become exercisable as stated in the applicable Stock Option Agreement, provided that the Optionee is an Eligible Person on the applicable vesting dates. The Committee has sole discretion to accelerate any Option at any time. An Option must be exercised within ten years from the date of grant unless a shorter period is specified in the Stock Option Agreement.

An Option may be exercised wholly or in part, in whole share increments, at any time within the period permitted for exercise. Only the Optionee may exercise an Option during the Optionee's lifetime, except that in the case of an Optionee who is legally incapacitated, the Option shall be exercisable by the Optionee's guardian or legal representative. Optionees may not transfer Options other than by will or the laws of descent and distribution.

Tax Consequences to the Company. An Optionee does not recognize any income for federal tax purposes at the time a Nonqualified Stock Option is granted, and the Company is not then entitled to a deduction. When any Nonqualified Stock Option is exercised, the Optionee recognizes ordinary income in an amount equal to the difference between the fair market value of the shares on the exercise date and the exercise price of the Nonqualified Stock Option, and the Company generally recognizes a tax deduction in the same amount.

The Company is not entitled to a tax deduction as the result of the grant or qualified exercise of an Incentive Stock Option. If an Optionee disposes of shares acquired upon exercise of an Incentive Stock Option within either two years after the date of its grant or one year after its exercise, the disposition is a disqualifying disposition and the Optionee will recognize ordinary income in the year of such disposition. The Company generally is entitled to a deduction in the year of the disqualifying disposition in an amount equal to the ordinary income recognized by the Optionee as a result of such disposition.

Taxable compensation earned by certain named executive officers subject to Section 162(m) of the Code in respect of Stock Options is generally intended to satisfy the requirements for "qualified performance-based compensation," but no assurance can be provided that the Company will be able to satisfy these requirements in all cases, and the Company may, in its sole discretion, determine in one or more cases that it is in its best interest not to satisfy these requirements even if it is able to do so.

Termination of Service. Unless otherwise provided in the Stock Option Agreement, if an Optionee dies after the date of grant, the executor or administrator of the Optionee's estate, or anyone to whom an outstanding Option has been validly transferred by will or the laws of descent and distribution, will have the right, within one year after the Optionee's death, to exercise any portion of the Option which was exercisable but unexercised at the time of the Optionee's death. If an Optionee's employment or other service with the Company or any Subsidiary is terminated due to permanent and total disability at any time after grant, the Optionee, or his legal guardian or representative, will have the right, within one year of the date of the Optionee's disability, to exercise any portion of the outstanding Option which was exercisable but unexercised at the time of the Optionee's termination due to disability. The period for exercise of an Option after the date of death or disability is limited by the maximum term set for exercise in the Stock Option Agreement. The Committee may determine at or after the grant to make any portion of an Option that is not exercisable at the date of death or disability immediately vested and exercisable. Unless otherwise provided in the Stock Option Agreement, if an Optionee's employment or other service with the Company or any Subsidiary is terminated for cause (as defined in the Plan), the Optionee's right to exercise any unexercised portion of any Option will terminate and all rights under any Option will cease. If an Optionee's employment or other service with the Company is terminated for any reason other than death, permanent and total disability, or for cause, the Optionee will have the right to exercise any Option to the extent it was exercisable and unexercised on the date of termination during the period which ends the earlier of 90 days after termination or the date that the Option expires.

Change in Control. Upon a "Change in Control" (as defined in the Plan) of the Company, the unvested portion of every outstanding Option will become fully and immediately vested and an Optionee

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must surrender his or her Option and receive, for each share of Common Stock issuable under the Option outstanding at such time, a cash payment 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. The vesting and cash payment

described above will not occur if (i) the Change in Control was approved by at least two-thirds of the Board who were serving as such immediately prior to the 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.

Termination and Amendment. The Plan terminates in April 2007. The Board may, in its sole discretion and at any earlier date, terminate the Plan; provided, however, no termination of the Plan shall in any manner affect any Option already granted under the Plan without the consent of the Optionee or the permitted transferee of the Option. The Board may at any time and from time to time, amend or modify the Plan, however, no amendment or modification of the Plan shall in any manner affect any Option already granted under the Plan without the consent of the Optionee or the permitted transferee of the Option and certain amendments may require stockholder approval.

Certain Securities Law Matters. The Company has registered under the Securities Act of 1933 the common stock reserved for issuance under the Plan on a registration statement on Form S-8 and intends to register the additional shares in the same fashion if the amendment to the Plan is approved.

New Plan Benefits. The board has not made any conditional grants or otherwise allocated additional Stock Options to be granted to any named executive officers, and thus no tabular disclosure is applicable.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE PROPOSED AMENDMENT TO THE 1997 STOCK OPTION PLAN INCREASING THE TOTAL NUMBER OF SHARES SUBJECT TO THE PLAN FROM 950,000 TO 1,950,000.

PROPOSED AMENDMENT TO INCREASE NUMBER OF TOTAL AUTHORIZED CAPITAL SHARES AND NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

The Company's Board of Directors has approved and declared the advisability of amending the Company's Amended and Restated Certificate of Incorporation to increase the total number of authorized shares of Capital Stock from 45,000,000 to 65,000,000 and the number of authorized shares of common stock from 40,000,000 to 60,000,000. The amendment would change the first sentence and items (1) and (2) of Article Fourth of the Company's Amended and Restated Certificate of Incorporation 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 65,000,000 shares, consisting of:

- (1) 60,000,000 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.

The purpose of the amendment is to provide the Company with maximum flexibility in arranging future funding for anticipated leasing and drilling activities related to its 3-D seismic exploration project in Cameron Parish, Louisiana, and for other corporate purposes. There remain only 16,385,968 and 2/3 shares of the Company's authorized common stock which are unissued and not already reserved for issuance for a specific purpose. As of April 15, 1999, the Record Date, there were 22,670,752 shares of common stock issued and outstanding and no shares of Preferred Stock issued and outstanding. There are 939,944 and 2/3 shares of common stock reserved for issuance upon exercise of outstanding options and 5,003,334 and 2/3 shares of common stock reserved for issuance upon the exercise of outstanding warrants.

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Except as mentioned above, the Company currently has no specific plans or proposals for issuing the additional shares which are the subject of the proposed amendment. If the Company's stockholders approve the proposed amendment, the Company does not anticipate seeking stockholder approval in connection with specific issuances of additional authorized shares except to the extent required by law, and rules and regulations of exchanges or other markets upon which the Company's common stock may trade.

The proposed amendment will not affect the existing rights of holders of common stock. Under Delaware law, since the Company's Amended and Restated Certificate of Incorporation does not expressly grant preemptive rights, holders of common stock do not have preemptive rights to acquire unissued shares, treasury shares or securities convertible into such shares. The issuance of additional shares of common stock may have a dilutive effect on earnings per share and on the voting power of existing holders of common stock. It also may adversely affect the market price of the common stock. However, the Company's financial performance and market price of the common stock may benefit from the issuance of additional shares in transactions which yield the Company additional

assets, favorable business opportunities or additional working capital to pursue its business plans.

Section 203 of the Delaware General Corporations Law ("Section 203") generally provides that a stockholder acquiring more than 15% of the outstanding voting stock of a corporation subject to the statute (an "Interested Stockholder") may not engage in certain Business Combinations (as defined in Section 203) with the corporation for a period of three years after the date on which the stockholder became an Interested Stockholder unless (i) prior to such date, the corporation's board of directors approved either the Business Combination or the transaction in which the stockholder became an Interested Stockholder, (ii) upon consummation of the transaction which resulted in the stockholder becoming an Interested Stockholder, the interested stockholder owned at least 85% of the voting stock of the Company outstanding (not counting shares owned by officers and directors or certain employee stock plans), or (iii) the Business Combination is approved by the corporation's board of directors and authorized at a stockholders' meeting by a vote of at least two-thirds of the corporation's outstanding voting stock not owned by the Interested Stockholder. Under Section 203, these restrictions will not apply to certain Business Combinations proposed by an Interested Stockholder following the earlier of the announcement or notification of one of certain extraordinary transactions involving the corporation and a person who was not an Interested Stockholder during the previous three years or who became an Interested Stockholder with the approval of the corporation's board of directors, if such extraordinary transaction is approved or not opposed by a majority of the directors who were directors prior to such person becoming an Interested Stockholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors.

Section 203 defines the term Business Combination to encompass a wide variety of transactions with or caused by an Interested Stockholder, including transactions in which the Interested Stockholder receives or could receive a benefit on other than a pro rata basis with other stockholders, such as mergers, certain asset sales, certain issuances of additional shares to the Interested Stockholder, transactions with the corporation which increase the proportionate interest in the corporation directly or indirectly owned by the Interested Stockholder, or transactions in which the Interested Stockholder receives certain other benefits.

The provisions of Section 203, coupled with the Board of Director's authority to issue preferred stock without further stockholder action, could delay or frustrate the removal of incumbent directors or a change in control of the Company. The provisions could also discourage, impede or prevent a merger, tender offer or proxy contest, even if such event would be favorable to the interests of stockholders. The Company's stockholders, by adopting an amendment to the Amended and Restated Certificate of Incorporation or the Bylaws, may elect not to be governed by Section 203 effective 12 months after such adoption. Neither the Certificate nor the Bylaws currently exclude the Company from the restrictions imposed by Section 203.

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION INCREASING THE TOTAL NUMBER OF SHARES OF AUTHORIZED CAPITAL STOCK TO 65,000,000 AND THE NUMBER OF SHARES OF AUTHORIZED COMMON STOCK TO 60,000,000.

APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP
AS INDEPENDENT ACCOUNTANTS

The Board of Directors recommends to stockholders that the certified public accounting firm of PricewaterhouseCoopers LLP serve as the Company's independent accountants for the fiscal year ending December 31, 1999. PricewaterhouseCoopers LLP has served as the Company's independent auditors since May 1998 and has audited the financial statements of the Company from the date of its inception (February 21, 1996) through December 31, 1998.

The Company anticipates that representatives of PricewaterhouseCoopers LLP will participate in the annual meeting of stockholders, may make a statement if they desire to do so, and will be available to respond to appropriate questions concerning the Company's financial statements.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT ACCOUNTANTS.

MANAGEMENT

Executive Officers

The executive officers of the Company serve at the pleasure of the Board of Directors and are subject to annual appointment by the Board. The Company had the following five executive officers during the fiscal year ended December 31, 1998 (collectively the "Named Executives"):

KEITH F. CARNEY is currently Executive Vice President of Cheniere. He served as Chief Financial Officer and Treasurer of the Company from July 1996 through November 1997. Prior to joining Cheniere, Mr. Carney was a securities analyst in the oil and gas exploration/production sector with Smith Barney, Inc. from 1992-1996. From 1982-1990 he was employed by Shell Oil as an exploration geologist, with assignments in the Gulf of Mexico, the Middle East and other areas. He received an M.S. in geology from Lehigh University in 1982 and an M.B.A.-Finance from the University of Denver in 1992. Mr. Carney currently serves as a Director for Pyr Energy.

WILLIAM D. FORSTER served as Co-Chairman of the Board of Directors and a director of the Company during the fiscal year ended December 31, 1998. Further information regarding Mr. Forster is provided above under "Election of Directors--Nominees."

CHARIF SOUKI served as Co-Chairman of the Board of Directors and a director of the Company during the fiscal year ended December 31, 1998. Further information regarding Mr. Souki is provided above under "Election of Directors--Nominees."

DON A. TURKLESON is currently Chief Financial Officer, Secretary and Treasurer of Cheniere. Prior to joining Cheniere, Mr. Turkleson was employed by PetroCorp Incorporated from 1983 to 1996, as Controller until 1986, then as Vice President-Finance, Secretary and Treasurer. From 1975 to 1983 he worked as a Certified Public Accountant in the natural resources division of Arthur Andersen & Co. in Houston. Mr. Turkleson received a B.S. in accounting from Louisiana State University in 1975. He is a member of the American Institute of Certified Public Accountants. He is a Director, Treasurer and past Chairman of the Board of Neighborhood Centers, Inc.

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WALTER L. WILLIAMS served as President, Chief Executive Officer and a director of the Company during the fiscal year ended December 31, 1998. Further information regarding Mr. Williams is provided above under "Election of Directors--Nominees."

Executive Compensation

The following table reflects all forms of compensation for the executive officers for services to the Company during the years ended December 31, 1998 and 1997, the year ended August 31, 1997, and the period from inception (February 21, 1996) through August 31, 1996. Neither Mr. Forster nor Mr. Souki received compensation sufficient to require that they be included in this table.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year(1)	Annual Compensation		Long Term
		Salary	Other Annual Compensation	Compensation Awards
				Securities Underlying Options/SARs (#)
Walter L. Williams President and Chief Executive Officer	1998	\$120,000	-	-
	1997c	\$120,000	-	50,000
	1997	\$120,000	-	-
	1996	-	\$30,000 (2)	150,000
Keith F. Carney Executive Vice President	1998	\$100,000	-	-
	1997c	\$ 90,833	-	50,000
	1997	\$ 90,000	-	-
	1996	\$ 11,250 (3)	-	150,000
Don A. Turkleson Chief Financial Officer, Secretary and Treasurer	1998	\$100,000	-	-
	1997c	\$ 8,333 (4)	-	50,000
	1997	-	-	-
	1996	-	-	-

(1) The Company's first period of operations was from inception (February 21, 1996) to August 31, 1996. The next period reported is the year ended August 31, 1997. The one-year period ending December 31, 1997 is indicated in the table above with the caption "1997c", and is included due to a change in the Company's fiscal year-end. The most recent fiscal period presented is the year ended December 31, 1998.

(2) Mr. Williams' Other Annual Compensation for 1996 represents 30,000 shares of common stock, valued at \$1.00 per share, received in lieu of cash compensation for three months of employment from his inception date of June 1, 1996 through August 31, 1996 based on an annual salary of \$120,000.

(3) Mr. Carney's 1996 salary was payment for six weeks of employment from his inception date of July 16, 1996 through August 31, 1996 based on an annual

salary of \$90,000. Effective December 1, 1997, Mr. Carney's annual salary was increased to \$100,000.

- (4) Mr. Turkleson's salary for the one-year period ended December 31, 1997 was payment for one month of employment from his inception date of December 1, 1997 based on an annual salary of \$100,000.

Options Grants

The Company did not grant any stock options to executive officers during the year ended December 31, 1998. On December 11, 1998, the Company adjusted the exercise price from \$3.00 per share to \$1.50 per share for all options previously granted and then outstanding to its executive officers. See "Repricing of Options."

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Option Exercises and Year-End Values

The following table sets forth information regarding unexercised options to purchase shares of common stock granted by the Company to Named Executives. No Named Executives exercised any common stock options during the fiscal year ended December 31, 1998.

<TABLE>
<CAPTION>

Name	Number of Securities Underlying Unexercised Options/SARs at December 31, 1998		Value of Unexercised In-the-Money Options/SARs at December 31, 1998 (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
<S> Walter L. Williams	162,500	37,500	-	-
Keith F. Carney	87,500	112,500	-	-
Don A. Turkleson	12,500	37,500	-	-

</TABLE>

- (1) The value of unexercised options to purchase common stock at December 31, 1998 is nil since the \$1.00 per share market value of the underlying securities at December 31, 1998 was less than the \$1.50 exercise price.

Repricing of Options

The following table sets forth information regarding the repricing of options to purchase shares of common stock granted by the Company to Named Executives. For a report on the repricing, see the discussion under "Board Report on Executive Compensation."

<TABLE>
<CAPTION>

Ten-Year Option/SAR Repricings						
Name	Date	Number of Securities Underlying Options/ SARs Repriced or Amended (#)	Market Price of Stock at Time of Repricing or Amendment (\$)	Exercise Price at Time of Repricing or Amendment (\$)	New Exercise Price (\$)	Length of Original Option Term Remaining at Date of Repricing or Amendment
<S> Walter L. Williams President and CEO	12/11/98 12/11/98	150,000 50,000	\$1.06 \$1.06	\$3.00 \$3.00	\$1.50 \$1.50	29.5 months 48.0 months
Keith F. Carney Executive Vice President	12/11/98 12/11/98	150,000 50,000	\$1.06 \$1.06	\$3.00 \$3.00	\$1.50 \$1.50	31.0 months 48.0 months
Don A. Turkleson Chief Financial Officer, Secretary & Treasurer	12/11/98	50,000	\$1.06	\$3.00	\$1.50	48.0 months

</TABLE>

- (1) New exercise prices were set at \$1.50 per share, which was approximately 140% of the market value of the common stock at the time of the repricing.

Other Compensation Arrangements

Effective October 1, 1998, the Board of Directors engaged Charif Souki, under a Services Agreement, to provide certain consulting services related to the financing and management of Cheniere. The Services Agreement provides for compensation in the amount of \$10,000 per month over a term of six months, which ceased on March 31, 1999.

Indemnification of Officers and Directors

The Company's Certificate of Incorporation provides that the liability of directors for monetary damages shall be limited to the fullest extent permissible under Delaware law. This limitation of liability does not affect the availability of injunctive relief or other equitable remedies.

The Company's Certificate of Incorporation and Bylaws provide that the Company shall indemnify its directors and officers to the fullest extent possible under Delaware law. These indemnification provisions require the Company to indemnify such persons against certain liabilities and expenses to which they may become subject by reason of their service as a director or officer of the Company or any of its affiliated enterprises. The provisions also set forth certain procedures, including the advancement of expenses, that apply in the event of a claim for indemnification.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information with respect to the shares of common stock owned of record and beneficially as of April 15, 1999 by all persons who own of record or are known by the Company to own beneficially more than 5% of the outstanding common stock by each director and executive officer, and by all directors and executive officers as a group:

Name	Amount and Nature of Beneficial Ownership	Percent of Class
Arabella S.A.	2,755,000 (1)	11.7%
BSR Investments, Ltd.	3,946,445 (2)	17.0%
Keith F. Carney	87,500 (3)	*
William D. Forster	2,846,211 (4)	12.6%
Michael L. Harvey	- (5)	*
MM&B Holdings, L.L.C.	1,195,833 (6)	5.0%
Kenneth R. Peak	22,500 (7)	*
Charles M. Reimer	51,071 (8)	*
Charif Souki	- (9)	*
Don A. Turkleson	37,500 (10)	*
Walter L. Williams	192,500 (11)	*
Efrem Zimbalist, III	32,000 (12)	*
All Directors and Officers as a group (9 persons)	3,269,282 (13)	14.2%

* - Less than 1%

- (1) Includes warrants to purchase 855,000 shares of the Company's common stock held by Arabella S.A. Arabella's address is: 35, rue Glesener, L-1621, Luxembourg.
- (2) BSR Investments, Ltd. is controlled by Nicole Souki, the President of BSR and the mother of Charif Souki. Charif Souki disclaims beneficial ownership of the shares. Includes warrants to purchase 566,667 shares of the Company's common stock. BSR's address is c/o Harney, Westwood & Riegels, Box 71, Craigmuir Chambers, Road Town, Tortola, B.V.I.
- (3) Includes 87,500 shares issuable upon exercise of presently exercisable options. Excludes 162,500 shares issuable upon the exercise of options held by Mr. Carney but not exercisable within 60 days of the filing of this proxy statement.

- (4) Does not include 100,000 shares held by a trust for the benefit of Mr. Forster's mother of which Mr. Forster is a 20% remainderman and of which shares he disclaims beneficial ownership. Mr. Forster's address is c/o Cheniere Energy, Inc., 1200 Smith Street, Suite 1740, Houston, TX 77002-4312.
- (5) Excludes 35,000 shares issuable upon the exercise of options held by Mr. Harvey but not exercisable within 60 days of the filing of this proxy statement.
- (6) Includes warrants to purchase 1,120,833 shares of the Company's common stock held by MM&B Holdings, L.L.C., whose address is: 23622 Calabasas Road, Suite 100, Calabasas, CA 91302-1549. Does not include: 40,000 shares held by Ezralow Family Trust; 13,917 shares held by Bryan Ezralow 1994 Trust; 13,917 shares held by Marc Ezralow 1997 Trust; nor 10,666 shares held by Colony Partners, of which MM&B Holdings, L.L.C. disclaims beneficial ownership.
- (7) Includes 22,500 shares issuable upon exercise of presently exercisable options. Excludes 12,500 shares issuable upon the exercise of options held by Mr. Peak but not exercisable within 60 days of the filing of this proxy statement.

- (8) Includes 22,500 shares issuable upon exercise of presently exercisable options. Excludes 12,500 shares issuable upon the exercise of options held by Mr. Reimer but not exercisable within 60 days of the filing of this proxy statement.
- (9) Does not include 3,379,778 shares nor warrants to purchase 566,667 shares of Cheniere common stock held by BSR Investments, Ltd. of which Charif Souki disclaims beneficial ownership. BSR Investments, Ltd. is controlled by Nicole Souki, the President of BSR Investments, Ltd. and the mother of Charif Souki.
- (10) Includes 12,500 shares issuable upon exercise of presently exercisable options. Excludes 87,500 shares issuable upon the exercise of options held by Mr. Turkleson but not exercisable within 60 days of the filing of this proxy statement.
- (11) Includes 162,500 shares issuable upon exercise of presently exercisable options. Excludes 87,500 shares issuable upon the exercise of options held by Mr. Williams but not exercisable within 60 days of the filing of this proxy statement.
- (12) Includes 10,000 shares issuable upon the exercise of presently exercisable options held by Mr. Zimbalist.
- (13) Includes an aggregate of 317,500 shares issuable upon exercise of presently exercisable options. Excludes an aggregate of 397,500 shares issuable upon the exercise of options not exercisable within 60 days of the filing of this proxy statement.

Board Report on Executive Compensation

The Board of Directors has furnished the following report on executive compensation for the fiscal year ended December 31, 1998:

Because Cheniere is a development stage company, the Company has no employment agreements with any of its executive officers and one of its executive officers served with no compensation for the fiscal year ended December 31, 1998. William D. Forster and Charif Souki, Co-Chairman of the Board of Directors and for the year ended December 31, 1998, did not receive any compensation in the form of salary or options and the Company does not currently intend to pay any such compensation to such officers until the Company has generated revenues at a level adequate to sustain the operating costs of the Company. Effective October 1, 1998, the Board of Directors engaged Charif Souki, under a Services Agreement, to provide certain consulting services related to the financing and management of Cheniere. The Services Agreement provides for compensation in the amount of \$10,000 per month over a term of six months, which ceased on March 31, 1999.

For those executive officers receiving compensation, the Company seeks to relate a significant portion of the potential total executive compensation to the Company's financial performance. In general,

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executive financial rewards may be segregated into the following components: salary and stock-based benefits. The Board has not awarded any bonus compensation.

Base compensation for senior executive officers is intended to afford a reasonable degree of financial security and flexibility to those individuals who are regarded by the board as acceptably discharging the levels and types of responsibility implicit in the various executive positions. The board also takes into consideration industry and non-industry compensation levels for professional peer groups. Based on these factors, Walter L. Williams received salary at a rate of \$120,000 per year beginning September 1, 1996; Keith F. Carney received salary at a rate of \$90,000 per year beginning July 16, 1996, which was increased to \$100,000 per year effective December 1, 1997. Don A. Turkleson received salary at a rate of \$100,000 per year beginning December 1, 1997.

The board of directors is of the view that properly designed and administered stock-based incentives for senior executives closely align the executives' economic interests with those of stockholders and provide a direct continuing focus upon the goal of constantly striving to increase long-term stockholder value. Toward that goal, the Company: (i) on June 1, 1996, granted Mr. Williams options to purchase 150,000 shares of the common stock and on July 3, 1996, granted Mr. Williams 30,000 shares of common stock in lieu of cash compensation for three months of employment from his inception date of June 1, 1996 until the end of the fiscal year on August 31, 1996, (ii) on July 16, 1996, granted Mr. Carney options to purchase 150,000 shares of common stock, (iii) on December 15, 1997, granted options to purchase 50,000 shares of common stock to each of Messrs. Williams, Carney and Turkleson and (iv) on December 11, 1998, adjusted the exercise price from \$3.00 per share to \$1.50 per share on such options. See "Executive Compensation--Summary Compensation Table, --Option

Grants and --Repricing of Options" for details.

Chief Executive Officer's Compensation. The board determines the compensation of the Chief Executive Officer in substantially the same manner as the compensation of the other officers. In establishing the base salary for Mr. Williams for the 1998 fiscal year, the board assessed (i) the performance of the Company, (ii) total return to shareholders and (iii) progress toward implementation of the Company's strategic business plan. Mr. Williams' total compensation package also includes a large portion in the form of stock options that were awarded in 1996 and in 1997.

Omnibus Budget Reconciliation Act of 1993. Section 162(m) of the Omnibus Budget Reconciliation Act of 1993 limits the deductibility to the Company of cash compensation in excess of \$1 million paid to the Company's chief executive officer and the next four highest paid officers during any fiscal year, unless such compensation meets certain requirements. During 1998, the Committee reviewed compensation programs in light of the requirements of this law. The Committee does not expect the new law to impact the Company in 1999 or for the foreseeable future in any significant way, if at all.

Repricing of Options. On December 11, 1998, the Board of Directors approved reducing the exercise price of all options granted prior to such date to management and employees of the Company to a price more in line with the current market price of the common stock. The Board's philosophy in granting stock options is to align the Company's officers' and employees' interests with those of the stockholders and to provide an incentive to achieve long-term appreciation in stockholder value. By December 1998, due primarily to the significant decline in oil and gas prices and the resulting decline in the stock market valuation of energy companies, the price of the Company's common stock had fallen below the exercise prices for a number of options that were granted by the Company during 1996, 1997 and 1998. As a result, the Board believed that the value of the options previously granted to key employees (including three executive officers) under the Company's stock option plan had eroded to such an extent that the intended incentive for such employees was no longer meaningful, and it was therefore in the best interest of the Company and the stockholders to amend the exercise price of such options. The Board believes that by repricing the options previously granted, the Company has restored the incentive for those employees. In each case, the options granted in replacement of previously granted options were made with an exercise price of \$1.50 per share, approximately 140% of the fair market value of the common stock on December 10, 1998 of \$1.06. The number of shares subject to exercise, the vesting periods and the terms

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remain unchanged by the repricing of the options. The Company did not reprice any options held by non-management directors.

Since the Company has no compensation committee, the foregoing report was given by the entire incumbent Board of Directors as of December 31, 1998.

THE BOARD OF DIRECTORS
William D. Forster, Co-Chairman
Charif Souki, Co-Chairman
Kenneth R. Peak
Charles M. Reimer
Walter L. Williams
Efrem Zimbalist, III

Pursuant to SEC rules, this section of this Proxy Statement is not deemed "filed" with the SEC and is not incorporated by reference into the Company's Annual Report on Form 10-K.

Compensation Committee Interlocks and Insider Participation

Because the Company has no compensation committee, all incumbent members of the Board of Directors, as of December 31, 1998, participated in deliberations concerning executive officer compensation. In addition to serving as a director of the Company, several directors held positions as executive officers during the fiscal year ended December 31, 1998. Mr. Forster served as Co-Chairman of the Board, Mr. Souki served as Co-Chairman of the Board, and Mr. Williams served as President and Chief Executive Officer.

Common Stock Performance Graph

The following graph compares the cumulative total shareholder return on the Company's common stock against, the S&P Oil and Gas (Exploration & Production) Index, and the Russell 1000 Index for the period beginning on July 3, 1996 and ending at fiscal year-end December 31, 1998. The Company's common stock began trading on the OTC Bulletin Board on July 3, 1996 and moved to the NASDAQ SmallCap Market on April 11, 1997. The graph was constructed on the assumption that \$100 was invested in the Company's common stock, the S&P Oil and Gas (Exploration & Production) Index, and the Russell 1000 Index on July 3, 1996.

[GRAPH]

	July 3, 1996 ----	August 31, -----		December 31, -----	
		1996 ----	1997 ----	1997 ----	1998 ----
Cheniere Energy, Inc.	\$100	\$119	\$119	\$ 69	\$ 33
S&P Oil & Gas (Exploration & Production) Index	\$100	\$ 99	\$116	\$106	\$ 73
Russell 1000 Index	\$100	\$ 98	\$136	\$148	\$188

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Certain Relationships and Transactions

BSR Investments, Ltd. ("BSR"), an entity holding approximately 17.0% of the outstanding shares of the Company's common stock, is under the control of Nicole Souki, the mother of Charif Souki, Co-Chairman of the Board of Directors for the year ended December 31, 1998. Charif Souki has been engaged, from time to time, as a consultant to BSR. Charif Souki disclaims beneficial ownership of all shares held by BSR.

BSR purchased \$2,000,000 of the notes issued in connection with Cheniere's \$4,000,000 December 1997 Bridge Financing. BSR pledged a portion of its investment in Cheniere common stock to fund its purchase of the notes. The Company paid \$195,003 in interest on the notes during 1998. In conjunction with the financing, BSR received warrants to purchase 566,667 shares of the Company's common stock at an exercise price of \$1.50 per share. In March 1999, BSR exchanged the \$2,000,000 of Cheniere notes payable which it held for 2,777,778 shares of Cheniere common stock.

In conjunction with certain of the Company's private placements of equity, placement fees have been paid to Investors Administration Services, Limited ("IAS"), a company in which the brother of Charif Souki, Cheniere's Co-Chairman, is a principal. Placement fees paid to IAS totaled \$138,000 for the year ended December 31, 1998.

During June 1998, the Company received and repaid short-term advances from Co-Chairman of the Board, William D. Forster, and members of his family or entities under their control, totaling \$592,000. Interest was paid at LIBOR plus 4% and totaled \$1,622. In addition, non-interest bearing, short-term advances totaling \$105,000 were made to the Company by Co-Chairman Forster (\$75,000) and BSR (\$30,000) in October and November 1998. Such advances were repaid by the Company in October and November 1998.

All such transactions were approved by the Board of Directors of the Company, and the Company believes that each such transaction was on terms that were comparable to, or more favorable to the Company than, those that might have been obtained by the Company on an arm's length basis from unaffiliated parties.

OTHER MATTERS

Required Vote

Only holders of common stock as of the Record Date will be entitled to vote in person or by proxy at the meeting. A majority of issued and outstanding shares of common stock as of the Record Date represented at the meeting in person or by proxy will constitute a quorum for the transaction of business. Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum. Provided that a quorum is present at the meeting, (i) the seven director nominees who receive the greatest number of votes cast for election by stockholders entitled to vote therefor will be elected directors, (ii) the proposed amendment to the Company's 1997 Stock Option Plan will require approval by a majority of shares entitled to vote thereon, (iii) the proposed amendment to the Company's Amended and Restated Certificate of Incorporation will require approval by a majority of shares entitled to vote thereon and (iv) approval of PricewaterhouseCoopers LLP as independent accountants will require approval by a majority of shares entitled to vote thereon. Abstentions and broker non-votes with respect to the proposed amendment to the Company's Amended and Restated Certificate of Incorporation will have the same effect as a vote against approval thereof, but will have no effect with respect to the other matters.

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Under Section 16(a) of the Exchange Act, directors, certain officers, and beneficial owners of 10% or more of any class of the Company's stock ("Reporting Persons") are required from time to time to file with the Securities and Exchange Commission and the NASDAQ SmallCap Market reports of ownership and changes of ownership. Reporting Persons are required to furnish the Company with copies of all Section 16(a) reports they file. Based solely on its review of forms and written representations received from Reporting Persons by it with respect to the fiscal year ended December 31, 1998, the Company believes that all filing requirements applicable to the Company's officers, directors and greater than 10% stockholders have been met, with the exception that BSR reported six monthly installments of warrants issued to it late on a Form 5.

Stockholder Proposals

Management anticipates that the Company's 2000 annual stockholders meeting will be held during May 2000. Any stockholder who wishes to submit a proposal for action to be included in the proxy statement and form of proxy relating to the Company's 2000 annual stockholders meeting must submit the proposal to the Company on or before January 15, 2000. Any such proposals should be timely sent to the Secretary of the Company, 1200 Smith Street, Suite 1740, Houston, Texas 77002-4312.

Availability of Annual Report

The Company is including herewith a copy of its annual report on Form 10-K for the fiscal year ended December 31, 1998, which has been filed with the Securities and Exchange Commission in Washington, D.C.

The Company will furnish to any person any exhibits described in the list accompanying such report upon payment of reasonable fees relating to the Company's furnishing such exhibits. Requests for copies should be directed to the Company at 1200 Smith Street, Suite 1740, Houston, Texas 77002-4312.

By order of the Board of Directors,

Don A. Turkleson
Secretary and Chief Financial Officer

April 30, 1999

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April 30, 1999
APPENDIX A

CHENIERE ENERGY, INC.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS FOR THE
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 4, 1999

The undersigned hereby appoints Charif Souki and William D. Forster, and each of them, either one of whom may act without joinder of the other, each with full power of substitution and ratification, attorneys and proxies of the undersigned to vote all shares of Cheniere Energy, Inc. which the undersigned is entitled to vote at the annual meeting of stockholders to be held at Cheniere's offices at Two Allen Center, 1200 Smith Street, Suite 1740, Houston, Texas on Friday, June 4, 1999 at 10:00 a.m., Houston, Texas time, and at any adjournment thereof.

(TO BE VOTED AND SIGNED ON REVERSE SIDE)

Please date, sign and mail your
proxy card back as soon as possible!

Annual Meeting of Stockholders
CHENIERE ENERGY, INC.

June 4, 1999

Please Detach and Mail in the Envelope Provided

<TABLE>
<CAPTION>
<S>

A PLEASE MARK YOUR VOTES AS IN THIS EXAMPLE.

FOR election (except as indicated below)
Forster

1. ELECTION OF
Harvey

<C>

WITHHOLD authority to
vote for all nominees

<C>

NOMINEES: William D.
Michael L.

DIRECTORS
Peak
Reimer
Williams
Zimbalist III

listed at right

Kenneth R.
Charles M.
Charif Souki
Walter L.
Efrem

INSTRUCTION: To withhold authority to vote for any individual nominee, print that nominee's name on the line below.

- | | | |
|--|-----|---------|
| 2. Approval of the proposed amendment to Company's 1997 Stock Option Plan to
ABSTAIN
increase the number of shares subject to the Plan from 950,000 to 1,950,000. | FOR | AGAINST |
| 3. Approval of the amendment to the Amended and Restated Certificate of
ABSTAIN
Incorporation increasing the total number of shares of authorized
Capital Stock to 65,000,000 and the number of shares of authorized
Common Stock to 60,000,000. | FOR | AGAINST |
| 4. Appointment of PricewaterhouseCoopers LLP as independent accountants
ABSTAIN
for the year ended December 31, 1999. | FOR | AGAINST |
| 5. In their discretion, upon such other matters (including procedural and
other matters relating to the conduct of the meeting) which may properly
come before the meeting and any adjournment thereof. | | |

THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE SPECIFICATIONS MADE HEREON.
IF NO CONTRARY SPECIFICATION IS MADE, THEN THIS PROXY WILL BE VOTED FOR THE
ELECTION OF THE SEVEN DIRECTOR NOMINEES NAMED IN ITEM 1 AND FOR EACH OF THE
PROPOSALS IDENTIFIED IN ITEMS 2, 3, 4 AND 5.

</TABLE>

<TABLE>

<CAPTION>

<S>
The undersigned hereby acknowledges receipt of the Notice of Annual Meeting
of Stockholders and the Proxy Statement furnished herewith. PLEASE DATE,
SIGN AND RETURN THIS PROXY PROMPTLY in the enclosed, pre-addressed stamped
envelope.

<C>

Signature(s) of Stockholder _____ Dated this ____ day of
_____, 1999

Note: Please sign exactly as your name appears on your stock certificate. When signing as executor, administrator, trustee
or other representative, please give your full title. All joint owners should sign.

</TABLE>

APPENDIX
[FOR SEC USE ONLY]

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 proprietary 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 Option 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.

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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

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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 the 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 Employee under subsection (a) above and, in this regard, such maximum number 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

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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 of any Option at any time. An Option may become 100 percent vested and exercisable upon an Optionee's death or disability 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 an 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 of 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 the 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 his 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 for 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 his 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 corporate 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 Option 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 on 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 Option 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 _____ day of _____, 1997.
