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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999

OR

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

For the transition period from _____ to _____

COMMISSION FILE NO. 0-9092

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

DELAWARE
(State or other jurisdiction of incorporation or organization)

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

1200 Smith Street, Suite 1740
Houston, Texas
(Address or principal place of business)

77002-4312
(Zip Code)

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

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

As of August 13, 1998, there were 27,574,217 shares of Cheniere Energy, Inc. Common Stock, \$.003 par value, issued and outstanding.

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CHENIERE ENERGY, INC.
INDEX TO FORM 10-Q

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

<TABLE>
<CAPTION>

	June 30, 1999	December 31, 1998
	-----	-----
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,393,269	\$ 143,868
Accounts Receivable	653,705	95,837
Subscriptions Receivable	-	500,000
Prepaid Expenses and Other Current Assets	540,968	8,833
	-----	-----
Total current assets	2,587,942	748,538
OIL AND GAS PROPERTIES, full cost method		
Unevaluated	24,777,673	20,000,425
FIXED ASSETS, net		
	90,285	89,511
	-----	-----
Total Assets	\$ 27,455,900	\$ 20,838,474
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 2,625,307	\$ 523,144
Notes Payable	1,974,980	1,974,980
	-----	-----
Total current liabilities	4,600,287	2,498,124
	-----	-----
LONG-TERM NOTES PAYABLE		
Related Party	-	2,000,000
Other	-	25,020
	-----	-----
Total long-term liabilities	-	2,025,020
	-----	-----
STOCKHOLDERS' EQUITY		
Common Stock, \$.003 par value		
Authorized: 60,000,000 and 40,000,000 shares, respectively		
Issued and Outstanding: 27,307,977 shares at June 30, 1999;		
18,973,749 at December 31, 1998	81,924	56,922
Preferred Stock, \$.0001 par value		
Authorized: 5,000,000 shares		
Issued and Outstanding: none	-	-
Additional Paid-in-Capital	27,282,199	20,084,928
Deficit Accumulated During the Development Stage	(4,508,510)	(3,824,520)
	-----	-----
Total Stockholders' Equity	22,855,613	16,317,330
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 27,455,900	\$ 20,840,474
	=====	=====

</TABLE>

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

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

<TABLE>
<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	-----		-----	
Cumulative	1999	1998	1999	1998
from the Date				
of Inception	-----	-----	-----	-----
	-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -
\$ -				

General and Administrative Expenses 4,616,958	360,182	436,435	694,182	631,829

Loss from Operations Before Other Income and Income Taxes (4,616,958)	(360,182)	(436,435)	(694,182)	(631,829)
Interest Income 147,449	5,298	6,619	10,192	12,513
Interest Expense (39,001)	-	-	-	-

Loss From Operations Before Income Taxes (4,508,510)	(354,884)	(429,816)	(683,990)	(619,316)
Provision for Income Taxes -	-	-	-	-

Net Loss \$ (4,508,510)	\$ (354,884)	\$ (429,816)	\$ (683,990)	\$ (619,316)
=====				
Net Loss Per Share (basic and diluted) \$ (0.31)	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.04)
=====				
Weighted Average Number of Shares Outstanding 14,533,332	23,464,488	15,865,084	21,503,556	14,891,462
=====				

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

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

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

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

</TABLE>

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

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

Total Stockholders' Equity	Common Stock			Additional Paid-In Capital	Retained Deficit
	Per Share	Shares	Amount		
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Sale of Shares on September 15, 1997 201,000	3.00	67,000	201	200,799	-
Sale of Shares on September 16, 1997 390,000	3.00	130,000	390	389,610	-
Expenses Related to Offerings (74,532)	-	-	-	(74,532)	-
Issuance of Warrants and Shares with Bridge Notes on December 15, 1997 338,500	2.375	100,000	300	338,200	-
Net Loss	-	-	-	-	(388,361)

(388,361)					
-----		-----	-----	-----	-----
Balance - December 31, 1997 13,420,028		14,457,866	43,374	15,563,330	(2,186,676)
Sale of Shares on April 8, 1998 1,060,000	2.00	530,000	1,590	1,058,410	-
Issuance of Shares in Settlement of Charges for Previous Legal Services 98,000	1.40	70,000	210	97,790	-
Sale of Shares on May 29, 1998 44,000	2.00	22,000	66	43,934	-
Sale of Shares on June 4, 1998 1,246,902	1.40	890,644	2,672	1,244,230	-
Expenses Related to Offerings (168,000)	-	-	-	(168,000)	-
Issuance of Shares to Adjust Prices of Shares Sold on April 8 and May 29** -	-	236,572	710	(710)	-
Issuance of Warrants with Bridge Notes on June 4, 1998 3,661	-	-	-	3,661	-
Issuance of Shares on August 26, 1998 Pursuant to Exercise of Warrants 100,000	1.00	100,000	300	99,700	-
Sale of Shares on August 31, 1998 501,250	0.67	750,000	2,250	499,000	-
Issuance of Warrants and Shares to Extend Bridge Notes on March 15 and September 15, 1998 349,333	0.67	50,000	150	349,183	-
Sale of Shares on November 15, 1998 800,000	0.67	1,200,000	3,600	796,400	-
Sale of Shares on December 30, 1998 500,000	0.75	666,667	2,000	498,000	-
Net Loss (1,637,844)	-	-	-	-	(1,637,844)
-----		-----	-----	-----	-----
Balance - December 31, 1998 16,317,330		18,973,749	56,922	20,084,928	(3,824,520)
Issuance of Shares in Exchange for Notes on February 2 and March 15, 1999 2,025,020	0.72	2,812,528	8,437	2,016,583	-
Repricing of Warrants to Extend Bridge Notes on March 15, 1999 35,702	-	-	-	35,702	-
Issuance of shares in Exchange for Production Payment on April 8, 1999 400,000	0.68	584,475	1,753	398,247	-
Sale of Shares on April 12, 1999 300,000	1.00	300,000	900	299,100	-
Sale of Shares on May 12, 1999 900,000	1.50	600,000	1,800	898,200	-
Sale of Shares on May 25, 1999 53,850	1.31	41,225	124	53,726	-
Sale of Shares on June 2, 1999 1,000,000	0.83	1,200,000	3,600	996,400	-
Sale of Shares on June 9, 1999 500,000	1.00	500,000	1,500	498,500	-
Sale of Shares on June 30, 1999 2,296,000	1.00	2,296,000	6,888	2,289,112	-
Expenses Related to Offerings (288,299)	-	-	-	(288,299)	-
Net Loss (683,990)	-	-	-	-	(683,990)
-----		-----	-----	-----	-----
Balance - June 30, 1999 22,855,613		27,307,977	81,924	27,282,199	(4,508,510)
=====		=====	=====	=====	=====

</TABLE>

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

6
CHENIERE ENERGY, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

<TABLE>

<CAPTION>

Six Months Ended

Cumulative	June 30,		
Date	-----	-----	from the
Inception	1998	1997	of
	-----	-----	-----
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	\$ (683,990)	\$ (619,316)	
\$(4,508,510)			
Adjustments to Reconcile Net Loss to			
Net Cash Used by Operating Activities:			
Depreciation and Amortization	21,326	18,225	
75,304			
Compensation Paid in Common Stock	-	-	
654,400			
Increase in Accounts Receivable	(555,868)	(23,394)	
(653,705)			
Decrease in Subscriptions Receivable	500,000	-	
-			
Increase in Prepaid Expenses and Other Current Assets	(532,135)	(79,763)	
(540,968)			
Increase (Decrease) in Accounts Payable and Accrued Liabilities	2,102,163	(74,655)	
2,723,307			
Non-Cash Interest Expense (Issuance of Warrants)	-	-	
19,200			
	-----	-----	-----
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ 851,496	(778,903)	
(2,230,972)	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of Fixed Assets	(22,099)	(82,320)	
(165,587)			
Proceeds from Sales of Oil and Gas Seismic Data	-	-	
46,000			
Oil and Gas Property Additions	(4,741,545)	(1,390,319)	
(24,216,065)			
	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(4,763,645)	(1,472,639)	
(24,216,065)	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Issuance of Notes with Detachable Warrants	-	180,000	
4,605,000			
Proceeds from Issuance of Notes Payable or Advances	240,000	-	
1,437,000			
Repayment of Notes Payable or Advances	(240,000)	-	
(1,832,000)			
Sale of Common Stock	5,449,848	2,448,902	
26,000,828			
Offering Costs	(288,299)	(113,000)	
(2,370,523)			
	-----	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,161,549	2,515,902	
27,840,305	-----	-----	-----
NET INCREASE (DECREASE) IN CASH	1,249,401	264,360	
1,393,269			
CASH - BEGINNING OF PERIOD	143,868	787,523	
-	-----	-----	-----
CASH - END OF PERIOD	\$1,393,269	\$1,051,883	\$
1,393,269	-----	-----	-----
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash Paid for Interest (net of amounts capitalized)	\$ -	\$ -	\$
22,353	=====	=====	
Cash Paid for Income Taxes	\$ -	\$ -	\$
-	=====	=====	

</TABLE>

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:

The Company issued 105,000 shares of common stock upon the conversion of \$210,000 of notes payable in September 1996. In conjunction with its December 1997 Bridge Financing, the Company issued at closing 100,000 shares of common stock (valued at \$237,500), and upon extension of the maturity date 50,000 shares (valued at \$33,500), which were recorded as debt issuance costs. In the same financing, the Company issued 1,333,334 warrants (valued at \$101,000) and 1,987,500 warrants (valued at \$315,833) related to extensions of the maturity dates. In conjunction with a short-term bridge financing in June 1998, the Company issued 83,334 warrants (valued at \$3,661). In conjunction with a short-term bridge financing in June 1998, the Company issued 83,334 warrants (valued at \$3,661). In conjunction with a 1999 extension of the maturity dates of the December 1997 notes, the exercise price was reduced by \$0.25 per share for warrants related to the extended notes. This repricing of warrants was valued at \$35,702. The amortization of such warrant costs was included in interest expense which was capitalized as a cost of oil and gas properties.

In 1998, the Company issued 70,000 shares of common stock (valued at \$98,000) in settlement of invoices for previously rendered legal services.

In 1999, the Company repriced certain warrants (valued at \$35,702) in connection with an extension of its short-term notes payable and issued 2,812,528 shares of common stock in exchange for the cancellation of long-term notes payable totaling \$2,025,000.

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

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

NOTE 1 - BASIS OF PRESENTATION

The unaudited consolidated financial statements of Cheniere Energy, Inc. ("Cheniere" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation, have been included.

For further information, refer to the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. Interim results are not necessarily indicative of results to be expected for the full fiscal year ended December 31, 1999.

The Company is currently a development stage enterprise and reports as such under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises." The Company's future business will be in the field of oil and gas exploration and exploitation.

The Company intends to adopt SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," issued in June 1998 effective with its fiscal year beginning January 1, 2000 as required by the Statement. Due to the Company's current and anticipated limited use of derivative instruments, management anticipates that adoption of SFAS 133 will not have any significant impact on the Company's financial position or results of operations.

NOTE 2 - NOTES PAYABLE

In December 1997, Cheniere completed the private placement of a \$4,000,000 bridge financing (the "December 1997 Bridge Financing"). The notes payable issued by Cheniere had an initial maturity date of March 15, 1998, which was extended to September 15, 1998 and further extended to January 15, 1999. In December 1998, Cheniere received commitments from certain noteholders to exchange notes payable for an aggregate of 2,812,528 shares of Cheniere common stock at a price of \$0.72 per share. Accordingly, the \$2,025,020 face amount of the exchanged notes was classified as a long-term obligation as of December 31, 1998. For those notes which were not exchanged for common stock, the maturity date was extended. The notes bear interest at a rate of LIBOR plus 4%. The securities purchase agreements which govern such bridge financing specify that, during the term of the notes, capital raised by the Company in excess of \$12,000,000 must be directed to repayment of the notes.

In connection with the December 1997 Bridge Financing, Cheniere issued 100,000 shares of common stock and four-year warrants to purchase 1,333,334 shares of common stock at \$2-3/8 per share. Additional warrants to purchase 1,600,000 shares of Cheniere common stock were issued on September 15, 1998 in consideration for the extension to that date. In connection with the extension to January 15, 1999, the Company offered two alternatives of consideration. Holders of \$3,000,000 of the notes elected to reduce the exercise price of their

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

per share. The holder of \$1,000,000 of the notes elected to reduce the exercise price of its warrants to \$2.00 per share, to extend the term of such warrants to five years from the latter of September 15, 1998 or the date of issue, to receive additional warrants to purchase 387,500 shares of common stock and to receive 50,000 shares of common stock. In January 1999, the maturity date was extended to March 15, 1999. In March 1999, the maturity date was extended to April 15, 1999. As consideration for the extension to April 15, 1999, the Company reduced the exercise price by \$0.25 per share for all warrants issued in connection with the issuance or extensions of the notes. In April 1999, the maturity date was extended to July 15, 1999, at which time 50% of the outstanding balance was repaid and the maturity date for the remainder was extended to October 15, 1999. (See Note 8 - Subsequent Events.)

NOTE 3 - COMMON STOCK ISSUANCES

In April 1999, the Company completed the private placement of 300,000 units, each unit representing one share of Cheniere common stock and a warrant to purchase one share of common stock at a share price equal to the lesser of \$1.00 or an amount calculated as 65% times the lowest trading price of Cheniere common stock during the 30-day period ending June 12, 1999. Net proceeds were \$270,000 after payment of \$30,000 in selling commissions. In July 1999, Cheniere issued an additional 150,000 units pursuant to the price adjustment provision of the original April 1999 private placement, reducing the average price to \$0.67 per unit. These issuances were made in reliance on the exemption from registration provided by Section 506 of Regulation D.

Also in April 1999, the Company issued 584,475 shares of common stock at \$0.68 per share in exchange for the cancellation of a production payment which it had sold in March 1999. The terms of the production payment and stock option agreement provided for the per share price of the exchange to be an amount equal to 75% times the average closing bid price for the five-day period preceding notice of the exchange. The balance of the production payment at the time of the exchange was \$400,000. These issuances were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

In May 1999, Cheniere issued 600,000 shares of common stock in exchange for \$900,000 of prepaid drilling services. In addition, the Company issued 41,225 shares as partial payment of drilling services previously provided at a cost of \$53,850. These issuances were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

In June 1999, the Company completed three private placements of common stock. On June 2, 1999, Cheniere issued 1,200,000 shares of common stock at a price of \$0.83 per share for proceeds of \$1,000,000. These issuances were made in reliance on the exemption from registration provided by Section 506 of Regulation D. On June 9, 1999, Cheniere issued 500,000 shares of common stock to acquire a license to use 3-D seismic data covering 8,700 square miles in the shallow waters of the Gulf of Mexico. These issuances were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933. On June 30, 1999, Cheniere issued 2,296,000 shares of common stock at a price of \$1.00 per share resulting in net proceeds of \$2,082,000 after payment of \$214,000 in selling commissions. These issuances were made in reliance on the exemption from registration provided by Section 506 of Regulation D.

NOTE 4 - STOCK OPTIONS

On March 18, 1999, the Company granted options to certain employees under the Cheniere Energy, Inc. 1997 Stock Option Plan. Options covering a total of 218,500 shares of common stock were granted to employees, exercisable at \$1.50 per share, which is above the quoted market price of the stock at the time of the grant. The options vest 25% at each of the first four anniversaries of the date of grant and expire on the fifth anniversary date of the grants.

Also on March 18, 1999, the Company's Board of Directors elected a new director. This

director was granted options to purchase 35,000 shares of the Company's common stock at an exercise price of \$3.00 per share, which is above the quoted market price at the time of the grant. These options vest on 22,500 shares on March 18,

2000, and on 12,500 shares on March 18, 2001, and will expire on March 17, 2004.

On June 1, 1999, the Company granted options to an employee to purchase 300,000 shares of common stock. The options are exercisable at \$1.50 per share, which is above the quoted market price of the stock at the time of the grant. Options on 150,000 of the shares are fully vested, options on 150,000 of the shares vest 25% at each of the first four anniversaries of the date of grant and expire on the fifth anniversary date of the grant.

NOTE 5 - WARRANTS

In April 1999, Cheniere sold 300,000 units to three investors at a price of \$1.00 per share, resulting in net proceeds of \$270,000 after payment of \$30,000 in selling commissions. Each unit was comprised of one share of common stock and one warrant to purchase one share of common stock, adding up to 300,000 shares of common stock and warrants to purchase 300,000 shares of common stock. Warrants issued in connection with these sales of units are exercisable on or before the second anniversary date of the date the units were sold at an exercise price of \$1.00 per share. These issuances were made in reliance on the exemption from registration provided by Section 506 of Regulation D.

In June 1999, the Company issued 1,000,000 warrants to its president and chief executive officer and 200,000 warrants to another member of its board of directors, both of whom were instrumental in negotiating the Company's license of 8,700 square miles of 3-D seismic data in the Gulf of Mexico. Warrants issued in connection with this transaction are exercisable on or before the fifth anniversary of the date the transaction closed at an exercise price of \$1.50 per share. These issuances were made in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

NOTE 6 - RELATED PARTY TRANSACTIONS

In conjunction with certain of the Company's private placements of equity securities, placement fees have been paid to Investors Administration Services, Limited ("IAS"), a company in which the brother of Cheniere's Chairman is a principal. Placement fees totaling \$235,000 were paid to IAS related to Cheniere's 1999 private placements of equity securities.

During May 1999, the Company received and repaid \$240,000 in short-term advances from a major stockholder, BSR Investments, Ltd., whose president is the mother of Cheniere's Chairman. Interest totaling \$584 was paid on the advances at a rate of LIBOR plus 4%, the same rate then payable on the Company's notes payable.

NOTE 7 - CONTINGENT LIABILITIES

On June 9, 1999 Cheniere entered into a master license agreement covering the license of approximately 8,700 square miles of 3-D seismic data in the Gulf of Mexico. In connection with the license agreement, the Company has made a commitment to reprocess certain of the seismic data and to pay a fee for such reprocessing as the reprocessed data is delivered. If

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

reprocessed seismic data are delivered to Cheniere on the schedule specified in the agreement, Cheniere will be obligated to make processing payments of approximately \$200,000 per month for the period from December 1999 through December 2001.

NOTE 8 - SUBSEQUENT EVENTS

On July 15, 1999, the Company repaid one half of the then-outstanding balance of its notes payable. For the remaining balance, totaling \$987,490, the maturity date was extended to October 15, 1999 and the interest rate was increased by 2% to LIBOR plus 6%.

In July 1999, Cheniere issued 50,000 warrants exercisable at \$1.50 per share on or before June 30, 2004 as consideration for the use of a prospect lead database.

The Company also issued 150,000 additional warrants exercisable at \$1.00 per share on or before July 5, 2004 in connection with a pricing adjustment to the number of units sold in April 1999.

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

GENERAL - Cheniere Energy, Inc. is currently a development stage company,

which has not yet begun generating revenues, and reports as such under the provisions of SFAS No. 7. The Company's unaudited consolidated financial statements and notes thereto relate to the three-month and six-month periods ended June 30, 1999 and 1998. These statements, the notes thereto and the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998 contain detailed information that should be referred to in conjunction with the following discussion.

RESULTS OF OPERATIONS

COMPARISON OF THREE-MONTH PERIODS ENDED JUNE 30, 1999 AND 1998 - The Company's operating results for the three months ended June 30, 1999 reflect a loss of \$354,884, or \$0.02 per share, compared to a loss of \$429,816 or \$0.03 per share a year earlier. The Company is in the development stage; accordingly, there continue to be no operating revenues. General and administrative expenses of \$360,182 in the three months ended June 30, 1999 were lower than the \$436,435 reported for the comparable period a year earlier. The decrease in expenses results principally from the inclusion in 1998 results of legal expenses related to arbitration proceedings which began in April 1998. Legal expenses for the 1999 quarter were \$43,000 compared to \$207,000 a year earlier. Offsetting the decrease in legal expenses is an increase in personnel and office costs resulting from the Company's increased level of activity since commencing drilling operations in February 1999.

COMPARISON OF SIX-MONTH PERIODS ENDED JUNE 30, 1999 AND 1998 - The Company's operating results for the six months ended June 30, 1999 reflect a loss of \$683,990, or \$0.03 per share, compared to a loss of \$619,316 or \$0.04 per share a year earlier. General and administrative expenses of \$694,182 in the six months ended June 30, 1999 were higher than the \$631,829 reported for the comparable period a year earlier. The increase in expenses results from the hiring of additional management and technical personnel and the expansion of the Company's offices in 1999. Offsetting these increases is the decline in legal expenses of approximately \$90,000 between periods due to the arbitration proceedings which were initiated in April 1998 and concluded in December 1998.

LIQUIDITY AND CAPITAL RESOURCES

Since Cheniere's inception in February 1996, the business plan of the Company has included a lengthy start-up period before revenues would begin. Some of the prerequisite activities to be accomplished before the commencement of operating revenues were: the acquisition of 3-D seismic data, the processing of that seismic data, the interpretation of that seismic data to identify prospects, the leasing of those prospects, and the drilling of those prospects to prove up oil and gas reserves for production and sale to generate operating revenues. Cheniere has completed the acquisition of proprietary data over a 230-square-mile 3-D seismic survey in Cameron Parish, Louisiana, and the adjacent offshore area. It has processed and is interpreting the seismic data. It has identified 15 prospects to date and has acquired leases over the majority of those prospects. Cheniere has just begun the drilling phase of its exploration project in 1999.

Drilling operations commenced in February 1999. A completion attempt was made on

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the Company's initial well, at the Cobra Prospect, but the well was not deemed to be productive in commercial quantities. Cheniere then commenced drilling a test well on its second prospect, Redfish, which has been completed and tested and where production is expected to commence in September 1999. The Company drilled a well on its third prospect, Shark, and determined that the indicated reserves found present were not adequate to justify a completion in an offshore environment. Cheniere has drilled a well on its fourth prospect, Stingray, which has been completed and tested and where production is expected to commence in September 1999 after the installation of a platform which will be used for both Redfish and Stingray production. Cheniere is presently preparing the location for the drilling of its fifth prospect, Heron, on which drilling is expected to commence in August 1999.

To fund its activities to date, Cheniere has raised \$25,855,000 through private placements of its equity securities and \$1,974,980 (net) through the issuance of bridge notes payable. The Company has raised these funds through a series of private placements of moderate amounts of its securities. The Company has consistently issued its common stock in amounts necessary to meet financial needs when required. It has not been the strategy of the Company to raise a significant amount of capital in excess of its current needs, but rather, to sell stock as funds are required.

The Company anticipates that future liquidity requirements, including repayment of \$987,490 in short-term notes payable maturing on October 15, 1999, payment of \$1,603,000 in production platform costs due on September 2, 1999, other oil and gas exploration and development activities, and general corporate requirements will be met by a combination of: cash balances, the sale of equity, further borrowings, and/or the sale of portions of its interest in the 3-D Exploration Program or in the prospects generated thereunder. At this time, no

assurance can be given that such further sales of equity, future borrowings, or sales of portions of its interest in the 3-D Exploration Program or in the prospects generated thereunder will be accomplished.

During 1999, Cheniere has raised funds from the following sources: \$913,000 through the sale of interests in five prospects, \$275,000 through the sale of a seismic option on three additional prospects, \$2,025,020 through the issuance of common stock in exchange for the cancellation of notes payable, \$400,000 through the sale of a production payment, \$300,000 through the issuance of units comprised of common stock and warrants, \$3,296,000 through the issuance of common stock for cash and \$1,128,000 through the issuance of common stock in exchange for drilling services and well equipment.

YEAR 2000

The Year 2000 presents significant issues for many computer systems. Much of the software in use today may not be able to accurately process data beyond the year 1999. The vast majority of computer systems process transactions using two digits for the year of the transaction, rather than the full four digits, making such systems unable to distinguish January 1, 2000 from January 1, 1900. Such systems may encounter significant processing inaccuracies or become inoperable when Year 2000 transactions are processed. Such matters could impact not only the Company in its day-to-day operations but also the Company's financial institutions, customers and vendors as well as state, provincial and federal governments with jurisdictions where the Company maintains operations.

The Company is currently addressing Year 2000 issues and is presently focussing on its internal business systems and processes. To the extent considered necessary, the Company is

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assessing the readiness of any key business partners (financial institutions, customers, vendors, oil and gas operators, etc.).

It has been the Company's strategy to use, wherever possible, industry prevalent products and processes with minimal customization. As a result, the Company does not expect any extensive in-house hardware, software or process conversions in an effort to be Year 2000 compliant nor does the Company expect its Year 2000 compliance related costs to be material to its operations.

While it is the Company's goal to be Year 2000 compliant, there can be no assurance that there will not be a material adverse effect on the Company as a result of a Year 2000 related issue. The Company's business partners may present the area of greatest risk to the Company, in part because of the Company's limited ability to influence actions of third parties, and in part because of the Company's inability to estimate the level and impact of noncompliance of third parties. Additionally, there are many variables and uncertainties associated with judgments regarding any contingency plans developed by the Company.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to its stockholders.

All statements, other than statements of historical facts so included in this report that address activities, events or developments that the Company intends, expects, projects, believes, or anticipates will or may occur in the future are forward-looking statements within the meaning of the Act, including, without limitation: statements regarding the Company's business strategy, plans and objectives; statements expressing beliefs and expectations regarding the ability of the Company to successfully raise the additional capital necessary to meet its obligations under the Exploration Agreement, the ability of the Company to secure the leases necessary to facilitate anticipated drilling activities and the ability of the Company to attract additional working interest owners to participate in the exploration and development within the Survey AMI; and statements about non-historical Year 2000 information. These forward-looking statements are, and will be, based on management's then current views and assumptions regarding future events.

FACTORS THAT MAY IMPACT FORWARD-LOOKING STATEMENTS OR FINANCIAL PERFORMANCE

The following are some of the important factors that could affect the Company's financial performance or could cause actual results to differ materially from estimates contained in the Company's forward-looking statements.

- The Company's ability to generate sufficient cash flows to support capital expansion plans, obligations to repay debt and general operating activities.

- The Company's ability to obtain additional financing from lenders, through debt or equity offerings, or through sales of a portion of its interest in the 3-D Exploration Program.
- The Company's ability to discover hydrocarbons in sufficient quantities to be economically viable, and its ability to overcome the operating hazards that are inherent in the oil and gas industry.
- Changes in laws and regulations, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws in domestic or foreign jurisdictions.
- The uncertainties of litigation as well as other risks and uncertainties detailed from time to time in the Company's Securities and Exchange Commission filings.
- The Company's ability to replace, modify or upgrade computer programs in ways that adequately address the Year 2000 issue.

The foregoing list of important factors is not exclusive.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The information contained in Notes 2, 3, 4 and 5 to the Consolidated Financial Statements is incorporated herein by reference.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Each of the following exhibits is incorporated by reference or filed herewith:

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. ("Cheniere")
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc.
3.3	By-laws of Cheniere as amended through April 7, 1997 (Incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K filed on March 29, 1999 (File No. 0-9092))

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10.28	Master License Agreement dated June 9, 1999 between Fairfield Industries Incorporated and Cheniere. Certain information in this exhibit has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.
10.29	Supplement Agreement No. 1 to Master License Agreement dated June 9, 1999 between Fairfield Industries Incorporated and Cheniere. Certain information in this exhibit has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.
27.1	Financial Data Schedule

(b) Current Reports on Form 8-K: None.

SIGNATURES

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

CHENIERE ENERGY, INC.

/s/ Don A. Turkleson

Don A. Turkleson
Chief Financial Officer (on behalf of the
registrant and as principal accounting
officer)

Date: August 13, 1999

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

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

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

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

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

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

- (1) To change the name of the Company to "Cheniere Energy, Inc.;"
- (2) To change the total number of shares of capital stock which the Company shall have authority to issue to 21,000,000 shares;
- (3) To amend and supplement the provisions of the certificate of incorporation relating to personal liability of the directors of the Company and indemnification by the Company;
- (4) To change the total number of the shares of common stock which the Company shall have authority to issue to 20,000,000 shares;
- (5) To change the par value of the common stock to \$.003 per share;
- (6) To add a provision authorizing the issuance of 1,000,000 shares of a new class of preferred stock, the rights, powers and preferences of which shall be set by resolution of the Board of Directors of the Company;
- (7) To change the registered office of the Company in the State of Delaware to 1013 Centre Road, City of Wilmington 19805, County of New Castle; and
- (8) To change the registered agent of the Company in the State of Delaware to Corporation Service Company, 1013 Centre Road, City of Wilmington 19805, County of New Castle.

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

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

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

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

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

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

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- (1) 20,000,000 shares of Common Stock, having a par value of \$.003 per share; and
- (2) 1,000,000 shares of Preferred Stock with a par value of \$.0001 per share.

The Board of Directors of the Company is authorized, subject to limitations prescribed by law and by filing any certificate prescribed by law, to establish

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

- (a) the number of shares of each such series and the designation thereof;
- (b) the par value of shares of each such series;
- (c) the annual rate or amount of dividends, if any, payable on shares of each such series (which dividends would be payable in preference to any dividends on Common Stock), whether such dividends shall be cumulative or non-cumulative and the conditions upon which and/or the date when such dividends shall be payable;
- (d) whether the shares of each such series shall be redeemable and, if so, the terms and conditions of such redemption, including the time or times when and the price or prices at which shares of each such series may be redeemed;
- (e) the amount, if any, payable on shares of each such series in the vent of liquidations, dissolution or winding up of the affairs of the Company;
- (f) whether the shares of each such series shall be convertible into or exchangeable for shares of any other class, or any series of the same or any other class, and, if so, the terms and conditions thereof, including the price or prices or the rate or rates at which shares of each such series shall be so convertible or exchangeable, and the adjustment which shall be made, and the circumstances in which such adjustments shall be made, in such conversion or exchange prices or rates; and
- (g) whether the shares of each such series shall have any voting rights in addition to those prescribed by law and, if so, the terms and conditions of exercise of voting rights.

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

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

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

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

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

/s/ WILLIAM D. FORSTER

William D. Forster
President

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

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

DOES HEREBY CERTIFY

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

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

FOURTH: The total number of shares of stock that the Company shall have the authority to issue is 65,000,000 shares, consisting of:

(1) 60,000,000 shares of Common Stock, having a par value of \$.0003 per share; and

(2) 5,000,000 shares of Preferred Stock with a par value of \$.0001 per share.

SECOND: That thereafter, the 1999 annual meeting of the stockholders of the Corporation was July called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

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

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by Don A. Turkleson, its Chief Financial Officer, Secretary and Treasurer, this 18th day of June 1999.

/s/ Don A. Turkleson

Don A. Turkleson
Chief Financial Officer, Secretary and Treasurer

[*] CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

MASTER LICENSE AGREEMENT

AGREEMENT dated the 9th of June 1999 between Fairfield Industries Incorporated, a Delaware corporation ("Data Owner"), with offices at 14100 Southwest Freeway, Suite 600, Sugar Land, Texas 77478, Fax: (281) 275-7550, and CHENIERE ENERGY INCORPORATED, a Delaware corporation ("Licensee"), with offices at Two Allen Center, 1200 Smith Street, Suite 1740, Houston, Texas 77002-4312, Fax: (713) 659-5459.

WITNESSETH:

WHEREAS, Licensee wishes to license from time to time from Data Owner geophysical seismic data owned by Data Owner (the "Data"), the content and form of which will be identified by supplements to this Agreement ("Supplements"), and Data Owner is willing to license the Data to Licensee, all on the terms hereinafter set forth;

NOW, THEREFORE, Data Owner and Licensee hereby agree as follows:

1. Definitions.

The term "Data Products" means any result or product derived from any processing, interpretation or other use by or for the Licensee of any Data or Data Product.

References to "this Agreement" include the Supplements.

2. Ownership of the Data.

Licensee acknowledges that Data Owner owns or will own all rights in and to the Data, that the Data is and will be a valuable asset and trade secret of Data Owner, and that title to and all other rights in the Data will at all times remain in Data Owner - Licensee is acquiring only the non-exclusive right to use the Data as provided in this Agreement. Licensee may use, disclose, and show the Data and Data Products only as expressly permitted by this Agreement. Licensee may not, except as expressly provided in this Agreement, sell, sublicense, transfer, assign, encumber or otherwise dispose of or exploit any of the Data or any Data Product; but Licensee may at any time destroy any Data or Data Product. Licensee's merging or consolidating with one or more entities, regardless of whether Licensee is the surviving entity, will constitute a transfer.

3. License of the Data.

(a) Data Owner grants Licensee the non-exclusive right to use Data identified in any Supplement for a period of twenty-five (25) years from the date of that Supplement, but for Licensee's internal use only. Licensee may produce Data Products and copies of Data and Data Products, but Licensee will use the Data and Data Products and copies thereof only for its internal purposes, will not permit any other use of any Data or Data Product, and will not disclose or permit the disclosure of, transmit or permit or provide access to, or show any Data or Data Product except as expressly permitted by this Agreement.

Licensee will store the Data and Data Products in a safe place to secure them from loss and theft and from any disclosure that is not permitted by this Agreement. Licensee will maintain records of the location at all times of all Data and Data Products. Data Owner may, on request and during Licensee's normal business hours, inspect Licensee's storage facility and records of the location for the Data and Data Products.

(b) (i) Any copy of a Data Product (other than any Data Product, including working drafts, which Licensee will not disclose to anyone else and which Licensee will destroy within fourteen (14) days after Licensee produces it) must state conspicuously on each page of the hard copy retained in storage files, and the outside of each tape copy or other copy or version of a Data Product must state conspicuously on a label to that copy or version, the following:

The data disclosed or contained herein is a valuable asset and trade secret of Fairfield Industries Incorporated and is subject to the terms of a license agreement which, among other things, restricts the use and disclosure of any of the data.

(ii) Each Data Product (other than any Data Product, including working drafts, which Licensee will not disclose to anyone else and which Licensee will destroy within fourteen (14) days after Licensee produces it) must contain the following notice in the data description portion of a seismic data set

definition:

*WARNING: DATA BELONGS TO FAIRFIELD INDUSTRIES
SUBJECT TO LICENSE RESTRICTIONS*

For SEG-Y formatted Data, the notice should be the first 80 byte card image in the EBCDIC card image block.

(c) Licensee may disclose Data and Data Products to a consultant or a third party in the business of processing or interpreting geophysical seismic data (a "Consultant") solely to enable the Consultant to advise on the Data or Data Products, interpret the Data, or to otherwise produce a Data Product, but only if prior to viewing any Data or Data Product and commencing any work, the Consultant executes and delivers to Licensee a written agreement whereby the Consultant agrees (i) to maintain the Data in the strictest confidence and not to disclose the Data and Data Products to any other person and not to use them for any purpose other than its work for Licensee, (ii) except for the purpose of processing Data and Data Products to produce Data Products for Licensee, Data and Data Products shall not be removed from Licensee's premises, and (iii) not to show or transmit any Data or Data Products to any person in any form or via electronic transmission from any location. Licensee will furnish Data Owner copies of these agreements upon Data Owner's request. Each Consultant must be a bona fide consultant within the oil and gas industry or a bona fide processor of geophysical seismic data. Licensee will not permit the Consultant to remove any Data or Data Products from Licensee's premises except for the purpose of processing them to produce Data Products solely for Licensee, and in this case the removal may only be to the Consultant's premises; and Licensee will cause the Consultant to return or deliver to Licensee all copies of the Data and Data Products when the Consultant completes its work.

In addition, in the case of a Consultant which will process Data and Data Products, the agreement described above must also contain covenants by the Consultant (i) not to remove any Data or Data Products from Licensee's premises except to transport them to Consultant's premises for the purpose of producing Data Products solely for Licensee, and not to permit any Data or Data Products to be removed from the Consultant's premises except for delivery to Licensee, and (ii) to return to Licensee all copies of Data and Data Products when the Consultant completes its work.

(d) Licensee may permit third parties to view-and only to view-the Data and Data Products, but only in an environment whereby such third parties are not able to make copies or otherwise acquire a knowledge of the Data comparable to having a copy of the Data, and only for the purpose of the third party determining whether to enter into a farmout, operating agreement, acreage trade, joint bidding agreement, exploration agreement, participation agreement, or other arrangement with Licensee for the joint exploration or development of particular geographical areas, or whether to purchase or provide financing with respect to any of those areas or verifying the hydrocarbon reserves of any of those areas, and only if prior to viewing any Data or Data Product the third party executes an agreement pursuant to which that third party agrees not to use any of the Data and/or Data Product for any other purpose and to maintain the Data and/or Data Product in the strictest confidence and not to disclose any of the Data or Data Product to anyone else. Licensee will furnish Data Owner with copies of these agreements upon request. Licensee will not permit any third party to view the Data and Data Products, whether in a single viewing session or in more than one viewing session, for more than 6 hours in the aggregate for all viewing sessions in respect of any one geophysical prospect. Licensee will not, without Data Owner's prior written consent, give the third party a copy of any of the Data or a copy of any Data Product or any portion thereof. In addition to the foregoing, Licensee will prevent third parties to which it discloses any Data or Data Product from confirming a prospect by independently working the Data or Data Product unless such third party has a license to the Data covering the prospect. The provisions of this Section 3(d) do not affect the provisions of Section 3(c). Licensee's Consultants may participate in the viewing sessions under this Section 3(d) subject to their compliance with the confidentiality provisions of this Agreement as if they were the Licensee.

(e) Licensee may disclose Data Products to the Minerals Management Service, an agency of the United States government ("MMS"), if required by applicable law; provided that Licensee discloses no more of the Data Products than required and gives Data Owner written notice before delivering the Data Products to the MMS. The written notice must contain a detailed description of Data Products disclosed, exact coordinates of the data volume, and date of disclosure. Data Owner, not Licensee, will disclose any Data required to be disclosed to the MMS.

Pursuant to regulations (30 CFR Parts 250 and 251) effective January 23, 1998 issued by MMS, Data Owner notifies Licensee - and Licensee acknowledges - that by the license of geological and/or geophysical data from Data Owner, Licensee assumes the obligations under 30 CFR Section 251.11 and/or 251.12, as the case may be, as the same may from time to time be amended. The provisions of this paragraph do not limit or supersede the provisions of the foregoing paragraph.

4. Remedies.

(a) Licensee acknowledges that Data Owner's business is the licensing or other exploitation of the very Data licensed to Licensee under this Agreement. Thus, upon the occurrence of any breach of Section 2 or Section 3 of this Agreement by Licensee or anyone to whom Licensee discloses any of the Data, Licensee

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shall pay Data Owner, as liquidated damages and not as a penalty, a fee of (1) Data Owner's then highest current license fee for each block of Data involved in such breach times (2) the greater of 1 or the number of third parties which had access prohibited by this Agreement to each such block of Data. Further, if the breach is a failure to affix labels or include a notice as required by Section 3(b) or a failure to obtain a written agreement from a Consultant as required by Section 3(c), and if Licensee cures that breach by affixing the required labels or adding the required notice or obtaining the required agreement within ten (10) days after the breach occurs, then Licensee will not be required to pay the fee under the foregoing sentence with respect to that breach. The provisions of this Section 4(a) are without prejudice to, and are in addition to, any other remedies that Data Owner has, including, without limitation, the right to injunctive relief.

However, notwithstanding the foregoing, if Licensee merges or consolidates with another company and if the common shareholders of Licensee own more than 50% of the outstanding common shares of the surviving company immediately after the merger or consolidation and if they control the surviving company, then such merger or consolidation shall not prevent the Data or any Data Product from being transferred to the surviving company and no transfer fee shall be payable to the Licensor for the transfer of Data to the surviving company. For purposes of determining the outstanding shares of the surviving company, any shares which may be acquired under any option, conversion privilege or other right will be deemed to be outstanding. Control means the ability to control or determine the management of the surviving company whether by election of those members who can determine the decisions of the board of directors or by any other means. The surviving company shall succeed to all rights and assume all obligations of Licensee under this Agreement.

If a merger or consolidation does not satisfy the requirements of the foregoing provisions for a permitted transfer of the Data or any Data Product without payment of a transfer fee, then Licensee (and the surviving company as successor to all rights and obligations of Licensee) will pay Data Owner, within thirty (30) days after the effective date of the merger or consolidation, a fee of [*], and the surviving company will be entitled to all rights and will be responsible for all obligations of Licensee under this Agreement.

If in a single transaction or a series of transactions a person or a group of persons acting in concert acquires shares of the common stock of the Licensee resulting in that person or group owning and/or controlling more than 50% of the outstanding common stock of Licensee, Licensee will pay Data Owner, within thirty (30) days after that person or group owns and/or controls more than 50% of the outstanding common stock of Licensee, a fee of [*]. For purposes of determining the outstanding shares of the Licensee, shares which may be acquired under any option, conversion privilege or other right will be disregarded. The term "person" includes an individual, corporation, partnership, limited liability company or other entity. A group of persons shall be deemed to be "acting in concert" if such persons act together in accordance with an agreement with each other.

If either of the two preceding paragraphs applies and if at the time of the merger or consolidation or, as the case may be, at the time the person or group acquires ownership and/or control of more than 50% of Licensee's outstanding stock, Licensee has licensed fewer than 1,000 blocks of Reprocessed Data under Supplement Agreement No. 1 to this Master License Agreement, then the fee under the applicable paragraph will be [*], the product of [*] and the greater of (i) the number of blocks of Reprocessed Data that Licensee has licensed at that time, or (ii) the number of blocks of Reprocessed Data that Licensee should have licensed at that time to the extent that a sufficient number of blocks of Reprocessed Data was available for Licensee to license.

(b) The license and rights of the Licensee under this Agreement will (i) automatically terminate without notice of any kind by Data Owner or any other person on the occurrence of the second breach of any of the terms of Section 2 or Section 3 of this Agreement by Licensee or anyone to whom Licensee discloses any of the Data or any Data Product and (ii) terminate 10 business days after written notice is sent by Data Owner to Licensee of the breach of any other term of this Agreement if Licensee shall not have cured such breach during such ten business day period. The termination of the license and the rights of Licensee shall not affect Licensee's obligations under this Agreement, including any obligations under a Supplement to pay for Data ordered or provide additional consideration, and all such obligations shall survive any termination of the license and rights of the Licensee under this Agreement. The provisions of item (i) of the first sentence of this paragraph will not apply to affixing labels, including notices, or obtaining agreements as described in the first paragraph of Section 4(a) provided the breach is cured immediately upon discovery thereof by Licensee or within ten (10) business days after written notice of such breach

is given by Data Owner to Licensee, whichever is the earlier.

(c) On termination of the license, Licensee will return to Data Owner all copies of the Data and will destroy all Data Products, and will verify such destruction to Data Owner in writing; but Licensee is not required to destroy copies of Data Products which, pursuant to the provisions of this Agreement, are in the possession of MMS or which Licensee has given to third parties with the written permission of Data Owner; and on termination of the license on expiration of its 25-year term, Licensee may retain all of its Data Products.

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(d) In addition to any other remedies that Data Owner has, Data Owner will be entitled, without posting bond or other security, to injunctive and other equitable relief to enforce the provisions of Section 2 or Section 3; and it will not be a defense to any request for such relief that Data Owner has an adequate remedy at law. If Data Owner is successful in any application for injunctive or other equitable relief, Licensee will pay Data Owner the expenses Data Owner incurs in obtaining such relief including, without limitation, reasonable legal fees and disbursements, court costs and the cost of appellate proceedings.

(e) The rights and remedies of Data Owner are cumulative.

5. License Fee; Taxes.

Licensee will pay Data Owner a fee for Data licensed under this Agreement as specified in the Supplement pertaining to that Data. If any government unit should levy a sales, use, or other tax of any nature relating to licensing or transfer for the Data covered by this Agreement, Licensee shall pay all such taxes and reimburse Data Owner for any such taxes paid by Data Owner.

6. Disclaimer of Warranties; Limitation of Liability.

(a) DATA OWNER MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND OR DESCRIPTION, EXPRESS OR IMPLIED, WITH RESPECT TO THE DATA EXCEPT THAT IT OWNS OR WILL OWN THE DATA AND MAY LICENSE IT TO LICENSEE PURSUANT TO THIS AGREEMENT WITHOUT VIOLATING THE RIGHTS OF ANY THIRD PARTY. ALL DATA IS DELIVERED TO LICENSEE, "AS IS WHERE IS". ANY USE WHICH THE LICENSEE MAKES OF THE DATA AND ANY ACTION WHICH THE LICENSEE TAKES BASED ON THE DATA WILL BE AT THE LICENSEE'S SOLE RISK, EXPENSE AND LIABILITY, AND LICENSEE WILL NOT HAVE ANY CLAIM AGAINST DATA OWNER BY REASON OF ANY SUCH USE OR ACTION.

(b) Data Owner will have and incur no liability to Licensee with respect to the Data, and Licensee will have no remedies against Data Owner, except for (i) any liability that Licensee incurs to a third party by reason of a claim against Licensee by that third party because of a breach of Data Owner's warranties under Section 6(a) with respect to the ownership of and the right to license the Data, and (ii) the costs to defend any such claim (including, without limitation, reasonable legal fees and disbursements, court costs and the cost of appellate proceedings). Licensee will promptly notify Data Owner of any claim that might result in liability by Data Owner under this Section 6(b) with the details of the claim. Data Owner may elect to defend the claim, in which case Data Owner will not be liable to Licensee for legal fees and disbursements after Data Owner notifies Licensee that it will assume the defense. Licensee will not settle any such claim without Data Owner's written consent unless Licensee releases Data Owner from its obligations under this Section 6(b).

Under no circumstance will Data Owner be liable for any other damages of the Licensee.

7. Confidentiality.

Licensee agrees that the terms of this Agreement (including any Supplements) are confidential and may not be disclosed to any individual or entity without the Data Owner's prior written consent, except (a) this Agreement and its terms may be disclosed (1) to Licensee's employees as required in the performance of their duties, (2) to outside auditors and counsel to the extent necessary to perform their respective duties to the Licensee, and (3) as required by law or by any governmental rule, regulation or order or by any judicial order and (b) the terms of Section 3(d) may be disclosed to any consultant used to interpret the Data as permitted by this Agreement.

In addition, the provisions of this Section will not apply to the recording of any overriding royalty pursuant to any Supplement or to the disclosure that Data Owner is entitled to an overriding royalty in the amount specified in that Supplement.

8. Severability.

If any provision of this Agreement or the application of any such provision to any person or circumstance is held invalid, the remainder of this Agreement, and the application of such provision other than to the extent it is held invalid, will not be invalidated or affected thereby.

9. Entire Agreement.

This Agreement contains the entire understanding of the parties with respect to the subject matter of this Agreement, and it supersedes all prior understandings and agreements, whether written or oral, and all prior dealings of the parties with respect to the subject matter hereof.

10. Amendment.

This Agreement may be amended only by an instrument in writing signed by the parties.

11. Assignment.

Except as otherwise expressly provided in this Agreement, Licensee may not transfer, assign, or grant a security interest in any of its rights or obligations under this Agreement without the prior written consent of Data Owner.

12. Notice.

Notices and other communications under this Agreement must be in writing and sent to each party at its address or fax number set forth above or, in the event of a change in any such address or fax number, then to such other address or fax number as to which notice is given. Notice will be deemed given on receipt thereof.

13. Governing Law.

This Agreement will be governed by and construed in accordance with the law of the State of Texas.

14. Section Headings.

Section headings are for reference purposes only and will not in any way affect the meaning or interpretation of any provision of this Agreement.

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

FAIRFIELD INDUSTRIES INCORPORATED

CHENIERE ENERGY INCORPORATED

SIGNATURE: /s/ Marc A. Lawrence

SIGNATURE: /s/ Walter L. Williams

NAME: MARC A. LAWRENCE

NAME: WALTER L. WILLIAMS

TITLE: SR. VICE PRESIDENT

TITLE: VICE CHAIRMAN

[*] CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

SUPPLEMENT AGREEMENT NO. 1
TO MASTER LICENSE AGREEMENT

This Supplement Agreement No. 1 dated June 9, 1999 ("Supplement") is between Fairfield Industries Incorporated, a Delaware corporation ("Data Owner"), with offices at 14100 Southwest Freeway, Suite 600, Sugar Land, Texas 77478, Fax: (281) 275-7550, and Cheniere Energy Incorporated, a Delaware corporation ("Licensee"), with offices at Two Allen Center, 1200 Smith Street, Suite 1740, Houston, Texas 77002-4312, Fax: (713) 659-5459.

Data Owner and Licensee hereby agree as follows:

1. Introduction.

Data Owner and Licensee are parties to the Master License Agreement dated June 9, 1999 ("Master License"). This Supplement is referred to in and is subject to the terms of the Master License. Licensee may only use the Data subject to this Supplement as permitted by the Master License. Capitalized terms used in this Supplement that are defined in the Master License shall have the meanings assigned to such terms in the Master License.

2. Data Licensed.

Data Owner presently has available non-exclusive 3D seismic Data as described in Section 3 below covering the areas depicted on the map attached hereto as Exhibit A ("Completed 3D Data").

Data Owner hereby licenses to Licensee, on a non-exclusive basis, 1113 blocks of Completed 3D Data identified in Exhibit B hereto. Licensee may, at any time and from time to time on or before June 30, 2001, select and license from Data Owner on a non-exclusive basis any other Completed 3D Data which Data Owner has available and additional Data, if any, that Data Owner acquires prior to June 30, 2001 as part of Data Owner's "Gulf of Mexico Shallow Water/Transition 3D Seismic Program", as such program is developed from time-to-time. Data Owner, however, is not obligated to acquire any additional Data.

3. Content and Form.

The content and form of the Data licensed under Section 2 of this Supplement is as follows:

- a. DLT or 8mm Tape(s) of Preserved Amplitude 3D Post-Stack Time Migrated Data Volume in SEG-Y Format
- b. DLT or 8mm Tape(s) of AGC 3D Post-Stack Time Migrated Data Volume in SEG-Y Format
- c. 1"=2000' Blackline Print of 3D Bin Center Position Map

4. [*]

5. [*]

6. License of Reprocessed Data.

Licensee will also license from Data Owner, on a non-exclusive basis, for a fee of [*] per block, the Data licensed to it under Section 2 of this Supplement reprocessed in the following format ("Reprocessed Data"):

- a. DLT or 8mm Tape(s) of Kirchhoff 3D Pre-Stack Time Migrated Data, Migrated Gathers, all Offset Stacks, Near Angle Stacks and Far Angle Stacks in SEG-Y Format.
- b. 1"=2000' Blackline Print of 3D Bin Center Position Map

Data Owner will reprocess the Data identified in Exhibit B hereto for the areas listed on Exhibit C hereto in the order in which those areas are listed on Exhibit C. Data Owner will reprocess any other Data licensed to Licensee under Section 2 above in the order mutually agreed in writing by Licensee and Data Owner.

Data Owner will notify Licensee when Reprocessed Data is available. During the first month following the month in which that notice is given and during each of the next five (5) months Licensee will

Reprocessed Data prior to September 1, 1999; and (ii) unless Licensee otherwise agrees, Licensee will not be required to license more than forty (40) blocks of Reprocessed Data in any one month. During each calendar month thereafter, Licensee will license from Data Owner all Reprocessed Data that Data Owner delivers to Licensee, but, unless Licensee otherwise agrees, Licensee will not be required to license more than one hundred (100) blocks of Reprocessed Data in any one month. The provisions of this paragraph apply only to the Reprocessed Data identified in Exhibit B. For any other Reprocessed Data, Licensee will license that Reprocessed Data from Data Owner as Data Owner delivers it to Licensee.

Data Owner will not produce during any month data that it will license on a non-exclusive basis in the format specified in items 6.a and 6.b above if that production will prevent Data Owner from having available for Licensee at least the maximum amount of Reprocessed Data which Licensee is required to license for the following month under the foregoing paragraph.

Data Owner will deliver to Licensee Exhibit B Reprocessed Data in accordance with the following schedule:

Date	Minimum Cumulative Number of Blocks of Reprocessed Data By That Date -----
December 31, 1999	40
March 31, 2000	160
June 30, 2000	280
September 30, 2000	400
December 31, 2000	520
March 31, 2001	640
June 30, 2001	760
September 30, 2001	880
December 31, 2001	1000

If Data Owner does not make either of these deliveries by the specified date, then Licensee may elect, by giving data Owner notice of its election prior to Data Owner's delivering the required number of blocks at any time after the specified date, either to license or not to license any of the remaining Exhibit B Reprocessed Data as Data Owner makes it available. If Licensee makes this election, the provisions of the immediately preceding paragraph will not apply after the election is made; but all of the other provisions of this Supplement and the Master License will apply to the licensing by Licensee of Reprocessed Data after Licensee makes the election.

Licensee will pay the fee for each block of Reprocessed Data that it licenses within thirty (30) days after delivery of that Data to it.

[*]

7. Selection Requirements.

- a. A "block" is 5000 acres or 7.8125 square miles.
- b. Rates for all other sized blocks will be prorated accordingly.
- c. Each Data selection may cover Data consisting of all or any portion of a block or blocks.
- d. Minimum Data selection is 5000 contiguous acres or 7.8125 square miles.
- e. Data must be selected along in-lines and cross-lines, i.e. no diagonals across Data volumes.

8. Federal Regulations Compliance.

Pursuant to regulations (30 CFR Parts 250 and 251) effective January 23, 1998 issued by MMS, Data Owner notifies Licensee - and Licensee acknowledges - that by the license of geological and/or geophysical data from Data Owner, Licensee assumes the obligations under 30 CFR Section 251.11 and/or 251.12, as the case may be, as the same may from time to time be amended. The provisions of this paragraph do not limit or supersede the provisions of paragraph 3(e) of the Master License Agreement.

9. Confidentiality.

Licensee agrees that the terms of this Agreement are confidential and may not be disclosed to any individual or entity without the Data Owner's prior written consent, except (a) this Agreement and its terms may be disclosed (1) to Licensee's employees as required in the performance of their duties, (2) to outside auditors and counsel to the extent necessary to perform their respective duties to the Licensee, and (3) as required by law or by any governmental rule, regulation or order or by any judicial order and

(b) the terms of Sections 3(d) of the Master License Agreement may be disclosed to any consultant used to interpret the Data as permitted by this Agreement.

In addition, the provisions of this Section will not apply to the recording of any assignment of an overriding royalty pursuant to Section 4 or to the disclosure that Data Owner is entitled to an overriding royalty and the amount of that royalty, and the form of assignment of such overriding royalty.

10. Entire Agreement.

This Supplement contains the entire understanding of the parties with respect to the subject matter of the Supplement, and it supersedes all prior understandings and agreements, whether written or oral, and all prior dealings of the parties with respect to the subject matter hereof.

11. Amendment.

This Supplement may be amended only by an instrument in writing signed by the parties.

12. Assignment.

Licensee may not transfer, assign, or grant a security interest in any of its rights or obligations under this Supplement without the prior written consent of Data Owner.

13. Notice.

Notices and other communications under this Supplement must be in writing and sent to each party at its address or fax number set forth above or, in the event of a change in any such address or fax number, then to such other address or fax number as to which notice is given. Notice will be deemed given on receipt thereof.

14. Governing Law.

This Supplement will be governed by and construed in accordance with the law of the State of Texas.

15. Section Headings.

Section headings are for reference purposes only and will not in any way affect the meaning or interpretation of any provision of this Supplement.

Executed as of the date first above written.

FAIRFIELD INDUSTRIES INCORPORATED

CHENIERE ENERGY INCORPORATED

SIGNATURE: /s/ Marc A. Lawrence

SIGNATURE: /s/ Walter L. Williams

NAME: MARC A. LAWRENCE

NAME: WALTER L. WILLIAMS

TITLE: SR. VICE PRESIDENT

TITLE: VICE CHAIRMAN

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