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

FORM 10-Q

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

For the quarterly period ended November 30, 1996

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. 2-63115

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

Delaware
(State or other jurisdiction of incorporation or organization)

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

1200 Smith Street, Suite 1710
Houston, Texas
(Address or principal place of business)

77002-4312
(Zip Code)

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

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

As of January 10, 1997, there were 11,942,515 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 SUBSIDIARY
CONSOLIDATED BALANCE SHEET (UNAUDITED)

<TABLE>
<CAPTION>

	(Unaudited)	
	Nov. 30, 1996	Aug. 31, 1996
	-----	-----
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash	\$ 324,550	\$ 1,093,180
Prepaid Expenses And Other Current Assets	6,622	4,800
	-----	-----
TOTAL CURRENT ASSETS	331,172	1,097,980
	-----	-----
PROPERTY AND EQUIPMENT, NET	50,988	46,830
	-----	-----
OTHER ASSETS		
Investment	6,000,000	4,000,000
Security Deposit	500	500
	-----	-----
TOTAL OTHER ASSETS	6,000,500	4,000,500
	-----	-----
TOTAL ASSETS	\$ 6,382,660	\$ 5,145,310
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 374,184	\$ 292,894
Loans Payable	215,000	425,000
Advances for Issuance of Common Stock	384,985	-
Advance from Officers	961	961
	-----	-----
TOTAL LIABILITIES	975,130	718,855
	-----	-----
STOCKHOLDERS' EQUITY		
Common Stock - \$.003 Par Value		
Authorized 20,000,000 shares;		
10,624,794 and 9,931,767 Issued and		
Outstanding at November 30, 1996 and		
August 31, 1996, respectively	31,875	29,795
Preferred Stock - Authorized		
1,000,000 shares; None Issued		
and Outstanding	-	-
Additional Paid-in-Capital	6,757,501	5,626,840
Retained Deficit	(1,381,846)	(1,230,180)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	5,407,530	4,426,455
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,382,660	\$ 5,145,310
	=====	=====

</TABLE>

See Accompanying Notes to Financial Statements

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

<TABLE>
<CAPTION>

	For the Three Months Ended	
	November 30,	
	1996	1995
	-----	-----
<S>	<C>	<C>
Revenue	\$ -	\$ 2,522
	-----	-----

General and Administrative Expenses	145,928	82,614
Interest Expense	7,239	-
	-----	-----
	153,167	82,614
	-----	-----
Loss from Operations Before Other Income	(153,167)	(80,092)
Interest Income	1,501	606
	-----	-----
Loss From Continuing Operations Before Income Taxes	(151,666)	(79,486)
Provision for Income Taxes	-	-
	-----	-----
Net Loss	\$ (151,666)	\$ (79,486)
	=====	=====
Loss Per Share	\$ (.01)	\$ (.03)
	=====	=====
Weighted Average Number of Shares Outstanding	10,310,670	1,659,203
	=====	=====

</TABLE>

See Accompanying Notes to Financial Statements.

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

<TABLE>
<CAPTION>

	Common Stock -----		Additional Paid-in Capital	Retained Deficit	Total Stockholders' Equity
	Shares	Par Value			
	-----	-----	-----	-----	-----
<S> Balance - September 1, 1996	<C> 9,931,767	<C> \$29,795	<C> \$5,626,840	<C> \$(1,230,180)	<C> \$4,426,455
Sales of Shares	588,027	1,765	1,288,736	-	1,290,501
Conversion of Debt	105,000	315	209,685	-	210,000
Expenses Related to Offering	-	-	(367,760)	-	(367,760)
Net Loss	-	-	-	(151,666)	(151,666)
	-----	-----	-----	-----	-----
Balance - November 30, 1996	10,624,794	\$31,875	\$6,757,501	\$(1,381,846)	\$5,407,530
	=====	=====	=====	=====	=====

</TABLE>

See Accompanying Notes to Financial Statements.

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

<TABLE>
<CAPTION>

<S>
CASH FLOWS FROM OPERATING ACTIVITIES

<C>

Net Loss	\$(151,666)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:	
Depreciation	2,023
(Increase) in Prepaid Expenses and Other Current Assets	(1,822)
Increase in Accounts Payable and Accrued Expenses	81,290

NET CASH USED BY OPERATING ACTIVITIES	(70,175)

CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Furniture, Fixtures and Equipment Investment	(6,180)
	(2,000,000)

NET CASH USED BY INVESTING ACTIVITIES	(2,006,180)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Sale of Common Stock	1,290,500
Offering Costs	(367,760)
Advances for Issuance of Common Stock	384,985

NET CASH PROVIDED BY FINANCING ACTIVITIES	1,307,725

NET DECREASE IN CASH	(768,630)
CASH - BEGINNING OF YEAR	1,093,180

CASH - NOVEMBER 30, 1996	\$ 324,550
	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash Paid for Interest	\$ 8,570
	=====
Cash Paid for Income Taxes	\$ -
	=====

</TABLE>

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCIAL ACTIVITIES:

Common stock totaling 105,000 shares was issued upon the conversion of \$210,000 of debt.

See Accompanying Notes to Financial Statements.

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Certain reclassifications have been made to the prior period to conform to the current period's presentation.

For further information refer to the financial statements and footnotes included in the Registrant's Annual Report on form 10-K for the year ended August 31, 1996.

The results of operations for any interim period are not necessarily indicative of the results to be expected for the full fiscal year ended August 31, 1997.

The accompanying consolidated financial statements include the accounts of Cheniere Energy, Inc. ("The Company") and its 100% owned

subsidiary, Cheniere Energy Operating Co., Inc. ("Cheniere Operating"). Accordingly, all references herein to Cheniere Energy, Inc. or the "Company" include the consolidated results of its subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

b) Loss Per Share

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

NOTE 2 - WARRANTS

The Company has issued and outstanding certain warrants described herein.

The Company has issued and outstanding 141,666 and 2/3 warrants (collectively, the "June Warrants"), each of which entitles the registered holder thereof to purchase one share of Common Stock. The June Warrants are exercisable at any time on or before June 14, 1999, at an exercise price of \$3.00 per share (subject to customary anti-dilution adjustments). The June Warrants were originally issued by

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1996

Cheniere Operating and were converted to warrants of Cheniere following the Reorganization. The June Warrants were issued to a group of 11 investors in connection with a private placement of unsecured promissory notes.

Effective September 14, 1996, the Company failed to pay all amounts due and payable under the Notes by the Maturity Date. Certain of the noteholders converted their notes into 105,000 shares of common stock.

An individual note holder has purchased the promissory notes of the remaining note holders. As per the terms of the notes, the holder is also entitled to receive up to an aggregate of 21,500 additional warrants for each month, or partial month, any amounts remain due and payable after September 14, 1996, up to a maximum aggregate number of 86,000 such additional warrants. (See Note 6 - Subsequent Events).

In consideration of certain investment advisory and other services to the Company, pursuant to warrant agreements each dated as of August 21, 1996, the Company issued warrants to purchase 13,600 and 54,400 shares of Common Stock, (collectively the "Adviser Warrants"). The Adviser Warrants are exercisable at any time on or before May 15, 1999 at an exercise price of \$3.00 per share (subject to customary anti-dilution adjustments).

In connection with the July and August 1996 placement of 508,400 shares of Common Stock, the Company agreed to issue warrants to purchase 12,500 shares of Common Stock to one of two distributors who placed the shares. Such warrants are exercisable on or before the second anniversary of the sale of the shares of Common Stock at an exercise price of \$3.125 per share (subject to customary anti-dilution adjustments).

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

The Warrants do not confer upon the holders thereof any voting or other rights of a stockholder of the Company.

NOTE 3 - STOCK OPTIONS

The Company has granted certain options to purchase shares of Common Stock to 2 executives. Such options aggregate 300,000 shares at an exercise price of \$3.00 per share. The options vest and are exercisable as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1996

- 1) 75,000 options vest and become exercisable on June 1, 1997 and expire June 1, 2001.
- 2) 75,000 options vest and become exercisable on June 1, 1998 and expire June 1, 2001.
- 3) 150,000 options vest and become exercisable in equal annual installments of 25% each on the first through fourth anniversary of July 16, 1996 and expire July 16, 2001.

In addition, the Company has granted options to the former President of the Company. The holder has the option to acquire 19,444 and 2/3 shares of Common Stock at an exercise price of \$1.80 per share. The options expire November 11, 2003.

NOTE 4 - COMMON STOCK RESERVED

The Company has reserved 322,166 and 2/3 share of Common Stock for issuance upon the exercise of outstanding warrants.

The Company has reserved 319,444 and 2/3 shares of Common Shares for insurance upon the exercise of outstanding options.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

- 1) The Company subleases its Houston, Texas headquarters from Zydeco under a month-to-month sublease.
- 2) On July 26, 1996, the Company signed a Letter of Intent with Poseidon Petroleum, LLC ("Poseidon") to purchase Poseidon's 47% working interest in undeveloped reserves in the Bonito unit of the Pacific Outer Continental Shelf, offshore Santa Barbara County, California. The parties are conducting due diligence and are negotiating a definitive purchase and sale agreement and related documentation. (See Note 6 - Subsequent Events). The transactions contemplated in the Letter of Intent may be terminated by either party upon the occurrence of certain events and there can be no assurance that the Company will successfully consummate such transactions. Moreover, if such transactions are consummated, the Company expects that development of the reserves will not occur for at least five years. There can be no assurance that the Company will successfully develop the reserves or that the reserves will yield sufficient quantities of oil and gas to be economically viable.
- 3) As of November 30, 1996, the Company has an investment of \$6,000,000 in a 3-D seismic exploration project in south Louisiana (the "3-D Joint Venture") pursuant

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CHENIERE ENERGY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 1996

to an Exploration Agreement (the "Exploration Agreement") between the Company and Zydeco Exploration, Inc. ("Zydeco"). Under the terms of the Exploration Agreement, the Company is required to make additional monthly payments aggregating, at least, \$7.5 million. The Company's potential participation in the 3-D Joint Venture could be significantly reduced in the event of a failure by the Company to make such required monthly payments when due.

NOTE 6 - SUBSEQUENT EVENTS

During the month of December 1996, the Company issued 1,317,721 shares of common stock for gross proceeds of \$3,169,875. Proceeds received are intended to fund future commitments to the 3-D Joint Venture.

Certain of these proceeds aggregating \$384,895 were received during the quarter ended November 30, 1996, and were classified as Advances for Issuance of Common Stock.

Also, on December 14, 1996, the Company repaid the \$215,000 loan payable and related accrued interest. Upon repaying the loan, the Company issued 64,500 warrants in accordance with the loan agreement.

On December 19, 1996, Cheniere Energy California, Inc. ("Cheniere California") was incorporated. Cheniere California is a 100% owned

subsidiary of the Company.

On December 20, 1996, Cheniere Energy California, inc. ("Cheniere California"), a wholly-owned subsidiary of the Company, signed a Purchase and Sale Agreement with Poseidon Petroleum, LLC ("Poseidon") to acquire Poseidon's 60% working interest in six undeveloped leases in the Bonito Unit of the Pacific Outer Continental Shelf (OCS) off Santa Barbara County, California (which is equal to a 47% working interest in the Bonito Unit). Poseidon estimates that the net proved undeveloped reserves attributable to its interests are approximately 47 million barrels of oil equivalent. As payment for this interest, Poseidon will receive production payments aggregating \$18,000,000 to be paid as three percent of the production revenue from the leases being assigned. Minimum prepayments of the annual production payment shall be made at the rate of \$540,000 per year, payable in advance. Poseidon will have a reserve report prepared with respect to the leases which is subject to Cheniere California's acceptance. The principal amount of the production payment and the required minimum yearly payments are subject to adjustment based on the results of the reserve report. Subject to the satisfaction of certain conditions, it is anticipated that closing of the purchase will occur during the second calendar quarter of 1997.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the Company's financial operations for the three month periods ended November 30, 1996 and 1995. The Company's accompanying unaudited financial statements and notes thereto and the consolidated financial statements included in the Company's Annual Report of Form 10-K for the year ended August 31, 1996 contain detailed information that should be referred to in conjunction with the following discussion.

General. On July 3, 1996, the Company changed its name to Cheniere Energy, Inc. and its principal business became oil and gas exploration. The assets and liabilities relating to its former business were distributed to the previous shareholders as of that same date. The comparative financial results for the period ended November 30, 1995 relate to those discontinued operations.

Private Placement of Common Shares. In September and October 1996, pursuant to Regulation D promulgated under the Securities Act of 1933 ("Regulation D"), the Company sold an aggregate of 352,472 shares of Common Stock to twelve "accredited investors" pursuant to Rule 506 of Regulation D and received proceeds of \$760,500 net of placement fees from such sales. Information regarding the sales is set forth in the table below.

<TABLE>
<CAPTION>

Date	Shares	Price	Proceeds	Fee/Commission	Net Proceeds
9/12	50,000	\$2.00	\$100,000	\$0	\$100,000
9/16	80,250	\$2.00	\$160,500	\$0	\$160,500
10/30	222,222	\$2.25	\$500,000	\$0	\$500,000
	352,472		\$760,500	\$0	\$760,500

</TABLE>

In October 1996, pursuant to Regulation S promulgated under the Securities Act of 1933, the Company sold an aggregate of 235,555 shares of Common Stock to one offshore investor and received proceeds of \$477,000 net of placement fees from such sales. Information regarding each sale is set forth in the table below.

Date	Shares	Price	Proceeds	Fee/Commission	Net Proceeds
10/30	235,555	\$2.25	\$530,000	\$53,000	\$477,000

The proceeds of the sales of Common Stock during September and October 1996 tabulated above, together with cash balances, were used to fund \$2 million in payments to the 3-D Joint Venture.

Amendment to Exploration Agreement. On November 27, 1996, the Company and Zydeco Exploration, Inc. amended the Exploration Agreement between the two entities relating to the 3-D Joint Venture whereby the schedule for payment of Seismic Funds defined by the Exploration Agreement and its amendments from Cheniere to Zydeco is suspended. The new amendment calls for Cheniere to furnish funds to maintain a \$1,000,000 balance in the Seismic Fund account and for Cheniere to resume the payment schedule within thirty days of Zydeco's notification. The suspension of payment of Seismic Funds is intended to better

align the payment schedule with Zydeco's need for such funds. Under the revised agreement, Cheniere

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expects to fund an additional \$7.5 million of Seismic Fund payments during the final three quarters of its fiscal year.

Results of Operations; Three Months ended November 30, 1996 and 1995

The Company's operating results for the three months ended November 30, 1996 reflect a loss of \$151,666, or \$0.01 per share, as there were no operating revenues. General and administrative expenses of \$145,928 and interest expenses of \$7,239 were offset by interest income of \$1,501. Operating results for the prior year's quarter relate to discontinued operations. For the three months ended November 30, 1995, the Company had an operating loss of \$79,486, or \$0.03 per share.

Liquidity and Capital Resources

At November 30, 1996, total assets were \$6,382,660 compared to \$5,145,310 at August 31, 1996. The increase is due to primarily to equity proceeds of \$1,237,000 received during the quarter. Current assets declined to \$324,550 from \$1,093,180 during the same period. Other assets reflect an increase in investment to \$6 million from \$4 million in the Joint Venture. This increase was funded primarily from equity proceeds and from cash balances.

The Company's balance sheet reflected current assets of \$331,172 and current liabilities of \$975,130. Current liabilities included \$384,985 representing funds advanced for the issuance of common stock and \$215,000 representing a short term note due January 14, 1997 (see Notes 2 and 6, Notes to Consolidated Financial Statements). The Company has no long term liabilities.

Other

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

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PART II. Other Information

Item 6. Exhibits and Reports on Form 8-K

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

10.12 --Fourth Amendment to the Exploration Agreement between FX Energy, Inc. (now known as Cheniere Energy Operating Co., Inc. ("Cheniere Operating") and Zydeco Exploration, Inc.

27.1 --Financial Data Schedule

(b) There were no reports on Form 8-K filed for the three months ended November 30, 1996.

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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, thereto duly authorized.

CHENIERE ENERGY, INC.

/s/ William D. Forster

William D. Forster
President and Chief Executive Officer

Date: January 15, 1997

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November 29, 1996

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

Re: Fourth Amendment

Gentlemen:

I am writing with respect to that certain Exploration Agreement dated April 4, 1996, by and between FX Energy, Inc. and Zydeco Exploration, Inc., as amended by that certain First Amendment dated May 15, 1996, and that certain Second Amendment dated August 5, 1996, and that certain Third Amendment dated October 31, 1996 (as amended, the "Agreement"). For convenience, terms defined therein shall have the same meaning when used herein. FX Energy, Inc. ("FX") has changed its name to Cheniere Energy Operating Co., Inc. ("Cheniere").

Section 2 of the Agreement originally provided:

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

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

Through yesterday, November 28, 1996, Cheniere had paid \$6,000,00.00. Under the Third Amendment to the Agreement, we substituted an alternate schedule for the remaining payments, which provided for payments as follows:

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Date ----	Amount -----
1996-11-30	2,000,000.00
1997-01-31	2,000,000.00
1997-02-28	2,000,000.00
1997-03-31	1,500,000.00

Funds in the Seismic Funds Account, an account set up at Bank One Texas, N.A. styled "Zydeco Exploration Inc. Seismic Joint Venture Account," are approximately \$895,000 at present.

The parties anticipate that field data acquisition will be temporarily suspended due to weather. Assuming a suspension, a minimum balance of \$1,000,000 in the Seismic Fund Account is adequate.

Accordingly, ZEI and Cheniere agree as follows:

1. Payments by Cheniere of additional Seismic Funds shall be suspended; provided, however, Cheniere shall from time to time furnish additional Seismic Funds sufficient to maintain the balance of the Seismic Fund Account at approximately \$1,000,000. Such funds shall be forwarded within 10 days of request by ZEI. Should such funds not be forwarded within 20 days of a reminder notice, the default shall be treated as a Discontinuance under Section 5.

2. At any time before December 1, 1997, ZEI may direct Cheniere to resume payment of the Seismic Funds. Such notice shall stipulate the date the first resumed installment payment (that due on November 30, 1996 under the Third Amendment) is due. The date so specified shall be at least 30 days after delivery of notice to Cheniere.
3. The first resumed payment shall be reduced from its \$2,000,000 amount by payments Cheniere has made to replenish the Seismic Fund Account.
4. Unless longer periods between payments are specified by ZEI:
 - a) the second resumed payment (that of \$2,000,000 due January 31, 1996 under the Third Amendment) shall be due 60 days after the first resumed payment;
 - b) the third resumed payment (that of \$2,000,000 due February 28, 1997 under the Third Amendment) shall be due 90 days after the first resumed payment; and
 - c) the fourth resumed payment (that of \$1,500,000 due March 31, 1997 under the Third Amendment) shall be due 120 days after the first resumed payment.
5. The normal grace period shall apply to each resumed payment.
6. Should Zydeco not direct that installment payment of Seismic Funds be resumed by December 1, 1997, absent an agreement of the parties to the contrary, no further Seismic Funds shall be required under the Agreement.

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

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

Yours very truly,
 ZYDECO EXPLORATION, INC.

By: /s/ W. Kyle Willis

 Its: Vice President & Treasurer

ACCEPTED AND AGREED TO THIS
 29TH DAY OF NOVEMBER, 1996.

CHENIERE ENERGY OPERATING CO., INC.

By: /s/ William D. Forster

 Its: President

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