

**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 September 30, 2003

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.)

333 Clay Street, Suite 3400

Houston, Texas

(Address or principal place of business)

77002-4102

(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 .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No .

As of November 13, 2003, there were 15,971,553 shares of Cheniere Energy, Inc. Common Stock, \$.003 par value, issued and outstanding.

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CONSOLIDATED BALANCE SHEET**

<u>ASSETS</u>	<u>September 30, 2003</u>	<u>December 31, 2002</u>
	(Unaudited)	
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,699,529	\$ 590,039
Accounts Receivable	1,633,058	1,137,682
Prepaid Expenses	228,751	121,099
Total Current Assets	3,561,338	1,848,820
OIL AND GAS PROPERTIES, full cost method		
Proved Properties, net	1,637,135	842,882
Unproved Properties, not subject to amortization	16,943,894	16,751,347
Total Oil and Gas Properties	18,581,029	17,594,229
LNG SITE COSTS	—	1,400,000
FIXED ASSETS, net	313,385	216,341
INVESTMENT IN UNCONSOLIDATED AFFILIATE	—	—
INVESTMENT IN LIMITED PARTNERSHIP	1,815,894	—
Total Assets	\$ 24,271,646	\$ 21,059,390
	<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	
CURRENT LIABILITIES		
Accounts Payable	\$ 1,324,758	\$ 1,828,267
Accrued Liabilities	1,123,052	683,788
Note Payable	—	750,000
Total Current Liabilities	2,447,810	3,262,055
MINORITY INTEREST	122,022	—
STOCKHOLDERS' EQUITY		
Preferred Stock, \$.0001 par value		
Authorized: 5,000,000 shares		
Issued and Outstanding: none	—	—
Common Stock, \$.003 par value		
Authorized: 40,000,000 shares		
Issued and Outstanding: 15,809,094 shares at September 30, 2003 and 13,297,393 shares at December 31, 2002	47,427	39,892
Additional Paid-in-Capital	46,201,134	41,414,236
Accumulated Deficit	(24,546,747)	(23,656,793)
Total Stockholders' Equity	21,701,814	17,797,335
Total Liabilities and Stockholders' Equity	\$ 24,271,646	\$ 21,059,390

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

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CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues				
Oil and Gas Sales	\$ 135,245	\$ 21,998	\$ 366,665	\$ 221,557
Total Revenues	135,245	21,998	366,665	221,557
Operating Costs and Expenses				
Production Costs	—	—	—	90,038
Depreciation, Depletion and Amortization	101,003	133,910	251,006	314,382
General and Administrative Expenses				
LNG Terminal Development	2,343,534	1,015,058	3,360,643	2,744,944
Other	615,254	351,032	1,728,055	1,505,364
General and Administrative Expenses	2,958,788	1,366,090	5,088,698	4,250,308
Total Operating Costs and Expenses	3,059,791	1,500,000	5,339,704	4,654,728
Loss from Operations	(2,924,546)	(1,478,002)	(4,973,039)	(4,433,171)
Equity in Net Loss of Unconsolidated Affiliate	—	—	—	(2,184,847)
Equity in Net Loss of Limited Partnership	(595,688)	—	(2,655,635)	—
Gain on Sale of Proved Oil and Gas Properties	—	—	—	340,257
Gain on Sale of LNG Assets	—	—	4,760,000	—
Gain on Sale of Limited Partnership Interest	—	—	423,454	—
Loss on Early Extinguishment of Debt	—	—	—	(100,544)
Interest Income	1,002	3,030	2,288	6,337
Loss Before Minority Interest and Income Taxes	(3,519,232)	(1,474,972)	(2,442,932)	(6,371,968)
Minority Interest	1,132,211	—	1,552,978	—
Provision for Income Taxes	—	—	—	—
Net Loss	\$ (2,387,021)	\$ (1,474,972)	\$ (889,954)	\$ (6,371,968)
Net Loss Per Share—Basic and Diluted	\$ (0.16)	\$ (0.11)	\$ (0.06)	\$ (0.48)
Weighted Average Number of Shares Outstanding—Basic and Diluted	15,180,473	13,297,393	14,306,270	13,297,393

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

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

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance—December 31, 2001	13,297,393	\$ 39,892	\$ 41,133,868	\$ (18,024,485)	\$ 23,149,275
Issuances of Warrants	—	—	209,794	—	209,794
Net Loss	—	—	—	(6,371,968)	(6,371,968)
Balance—September 30, 2002	13,297,393	\$ 39,892	\$ 41,343,662	\$ (24,396,453)	\$ 16,987,101
Balance—December 31, 2002	13,297,393	\$ 39,892	\$ 41,414,236	\$ (23,656,793)	\$ 17,797,335
Issuances of Stock	2,511,701	7,535	3,899,805	—	3,907,340
Issuances of Warrants	—	—	945,049	—	945,049
Expenses Related to Offerings	—	—	(57,956)	—	(57,956)
Net Loss	—	—	—	(889,954)	(889,954)
Balance—September 30, 2003	15,809,094	\$ 47,427	\$ 46,201,134	\$ (24,546,747)	\$ 21,701,814

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

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CHENIERE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (889,954)	\$ (6,371,968)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities:		
Depreciation, Depletion and Amortization	251,006	314,382
Non-Cash Expense	(3,636)	56,648
Gain on Sale of Proved Oil and Gas Properties	—	(340,257)
Loss on Early Extinguishment of Debt	—	100,544
Equity in Net Loss of Unconsolidated Affiliate	—	2,184,847
Equity in Net Loss of Limited Partnership	2,655,635	—
Gain on Sale of LNG Assets	(4,760,000)	—
Gain on Sale of Limited Partnership Interest	(423,454)	—
Minority Interest	(1,552,978)	—
	<u>(4,723,381)</u>	<u>(4,055,804)</u>
Changes in Operating Assets and Liabilities		
Accounts Receivable	377,746	236,384
Prepaid Expenses	(248,852)	(37,921)
Accounts Payable and Accrued Liabilities	95,744	1,408,556
	<u>(4,498,743)</u>	<u>(2,448,785)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Fixed Assets	(210,840)	(6,217)
Oil and Gas Property Additions	(1,434,161)	(1,062,327)
Net Proceeds from Sale of Proved Oil and Gas Properties	—	2,235,365
Sale of Interest in Oil and Gas Prospects	391,350	378,259
Sale of Oil and Gas Seismic Data	—	825,000
LNG Site Costs	—	(250,000)
Sale of LNG Assets	2,250,000	—
Sale of Limited Partnership Interest	400,000	—
	<u>1,396,349</u>	<u>2,120,080</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuances of Notes Payable	225,000	1,250,000
Repayment of Note Payable	(225,000)	(500,000)
Sale of Common Stock	2,594,840	—
Offering Costs	(57,956)	—
Partnership Contributions by Minority Owner	1,675,000	—
	<u>4,211,884</u>	<u>750,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,109,490	421,295
CASH AND CASH EQUIVALENTS—BEGINNING OF PERIOD	590,039	610,718
CASH AND CASH EQUIVALENTS—END OF PERIOD	\$ 1,699,529	\$ 1,032,013

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

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 only of normal recurring adjustments necessary for a fair presentation, have been included.

For further information, refer to the consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2002. Interim results are not necessarily indicative of results to be expected for the full fiscal year ending December 31, 2003. Certain reclassifications have been made to conform prior period amounts to the current period presentation. These reclassifications have no effect on net income (loss) or stockholders’ equity.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 143, *Accounting for Asset Retirement Obligations* (“ARO”), which requires that an asset retirement cost be capitalized as part of the cost of the related long-lived asset and allocated to expense by using a systematic and rational method. Under this Statement, an entity is not required to re-measure an ARO liability at fair value each period but is required to recognize changes in an ARO liability resulting from the passage of time and revisions in cash flow estimates. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company adopted SFAS No. 143 effective January 1, 2003. As the Company currently has no long-lived assets for which it has a legal obligation associated with the retirement of such assets, the initial adoption of SFAS No. 143 had no impact on its earnings or statement of financial position.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*, which amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This Statement is effective for fiscal years ending after December 15, 2002 for transition guidance and annual disclosure provisions, and for financial reports containing financial statements for interim periods beginning after December 15, 2002 for interim disclosure provisions. The Company is not currently transitioning to the fair value method of accounting for stock-based compensation; however, it adopted the disclosure provisions of SFAS No. 148 effective with its fiscal year ended December 31, 2002.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* (“FIN No. 46”), which addresses consolidation by business enterprises of variable interest entities. FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, *Consolidated*

CHENIERE ENERGY, INC. AND SUBSIDIARIES
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(Unaudited)

Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company does not expect to identify any variable interest entities that must be consolidated. In the event a variable interest entity is identified, the Company does not expect the requirements of FIN No. 46 to have a material impact on its financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity*, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope, which may have previously been reported as equity, as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003 for public companies. The Company does not believe that the adoption of SFAS No. 150 will have a significant impact on its financial statements.

Stock-Based Compensation

The Company accounts for stock-based compensation granted under its long-term incentive plan using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Stock-based compensation expense associated with option grants were not recognized in the net income (loss) of the three month and nine month periods ended September 30, 2003 and 2002, as all options granted had exercise prices equal to the market value of the underlying common stock on the dates of grant. The following table illustrates the effect on net income (loss) and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net loss, as reported	\$ (2,387,021)	\$ (1,474,972)	\$ (889,954)	\$ (6,371,968)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(331,164)	(134,280)	(696,132)	(401,306)
Pro forma net loss	\$ (2,718,185)	\$ (1,609,252)	\$ (1,586,086)	\$ (6,773,274)
Net loss per share:				
Basic and Diluted—as reported	\$ (0.16)	\$ (0.11)	\$ (0.06)	\$ (0.48)
Basic and Diluted—pro forma	\$ (0.18)	\$ (0.12)	\$ (0.11)	\$ (0.51)

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

Note 2—Oil and Gas Properties

The Company follows the full cost method of accounting for its oil and gas properties. Under this method, all productive and nonproductive exploration and development costs incurred for the purpose of finding oil and gas reserves are capitalized. In the first nine months of 2003, the Company's exploration program has made discoveries which have added approximately 1.0 Bcfe to its proved oil and gas reserves. The Company's current ownership in these properties takes the form of an overriding royalty interest.

Note 3—Investment in Unconsolidated Affiliate

Until January 1, 2003, Cheniere accounted for its investment in Gryphon Exploration Company ("Gryphon") using the equity method of accounting because its participation on the Gryphon board of directors provided significant influence over the operating and financial policies of Gryphon. In December 2002, the extent of such influence was diminished when one of the two Cheniere-appointed representatives on the Gryphon board of directors resigned his position as an officer of Cheniere. Effective on January 1, 2003, Cheniere began accounting for its investment in Gryphon using the cost method of accounting.

As of December 31, 2002, Cheniere's basis of its investment in Gryphon was reduced to zero, but not below zero, because Cheniere does not guarantee any obligations of Gryphon and is not committed to provide additional financial support to Gryphon. For the three months ended September 30, 2003, Cheniere received no dividends from Gryphon and, accordingly, reported no income from its investment in Gryphon. For the three months ended September 30, 2002, Cheniere's equity share of Gryphon's losses was zero, calculated by applying Cheniere's 100% common stock ownership interest to Gryphon's net income of \$1,429,000, reducing such result for Gryphon's preferred dividend arrearages of \$1,563,094 and limiting the amount of loss recognized to the balance of Cheniere's investment in Gryphon as of June 30, 2002, which was zero.

Gryphon's preferred stock is convertible at the option of the holder at a rate of \$100 per share of common stock at any time after the holders of a majority of the preferred stock execute a written consent permitting a conversion of the preferred stock or, if earlier, at any time after August 31, 2010. In the event the holders of a majority of the preferred stock vote to convert all of their shares of preferred stock into common stock, all shares of preferred stock shall automatically be converted, without further action by Gryphon or its shareholders. In addition, Gryphon has the right, at its option, to convert shares of preferred stock into common stock upon Gryphon's closing of a firm commitment qualified public offering. Through September 30, 2003, Warburg, Pincus Equity Partners, L.P. ("Warburg") had invested \$85,000,000 in Gryphon preferred stock. If Warburg were to convert its investment to common stock, Cheniere's ownership interest would be reduced to 9.3%. As of September 30, 2003, the amount of Gryphon's preferred dividends in arrears was \$15,107,334.

The financial position of Gryphon at September 30, 2003 and December 31, 2002 and the results of Gryphon's operations for the three months and nine months ended September 30, 2003 and 2002 are summarized as follows (in thousands):

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

	September 30, 2003	December 31, 2002
	(Unaudited)	
Current assets	\$ 19,209	\$ 12,215
Oil and gas properties, full cost method		
Proved properties, net	77,550	54,322
Unproved properties	41,837	36,685
	119,387	91,007
Fixed assets and other, net	1,072	458
Total assets	\$ 139,668	\$ 103,680
Current liabilities	\$ 13,309	\$ 11,870
Long term liabilities	15,969	—
Deferred tax liabilities	8,337	2,043
Stockholders' equity	102,053	89,767
Total liabilities and stockholders' equity	\$ 139,668	\$ 103,680

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 12,877	\$ 3,046	\$ 37,327	\$ 6,950
Income (loss) from continuing operations	4,932	1,365	17,551	(838)
Net income (loss)	4,355	1,429	12,219	(701)
Cheniere's equity in losses from unconsolidated affiliate	N/A	—	N/A	(2,185)

Note 4—Investment in Limited Partnership

Freeport LNG

In August 2002, Cheniere entered into an agreement with entities controlled by Michael S. Smith to sell a 60% interest in its planned LNG receiving facility at Freeport, Texas. In February 2003, Cheniere's Freeport LNG project was acquired by Freeport LNG Development, L.P. ("Freeport LNG"), in which Cheniere retained a 40% interest. Freeport LNG will pay Cheniere \$5,000,000 in cash and will spend up to \$9,000,000 to obtain permits and prepare the project for the construction phase with no further contribution by Cheniere. After contribution of the full \$9,000,000, additional expenses will be borne by the parties pro rata based on their respective ownership interests. Smith, through a controlled entity, Freeport LNG Investments, LLC ("Investments") holds a 60% interest in Freeport LNG. Smith will manage the project as chief executive officer of Freeport LNG.

The cash payments to Cheniere are payable \$1,000,000 at closing; \$750,000 on July 15, 2003 and October 15, 2003; and \$2,500,000 30 days after all construction permits are obtained for the Freeport site. The second and third payments are subject to acceleration under certain circumstances. In June 2003, Cheniere received \$1,250,000 from Freeport LNG, representing an acceleration of the July 15, 2003 payment and of \$500,000 otherwise payable in October 2003. The remaining \$250,000 payable to Cheniere in October 2003 was timely paid by Freeport LNG.

With the signing of a definitive lease agreement for the Freeport, Texas terminal site on December 19, 2002, Freeport LNG paid to Cheniere \$650,000 for related costs and expenses, which amount would have been reimbursable by Cheniere had the sale to Freeport LNG not been

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

completed. Furthermore, at closing on February 27, 2003, Freeport LNG paid Cheniere an additional \$530,215 in cash and assumed Cheniere liabilities of \$560,211, all related to Freeport LNG project costs. These payments and assumptions of liabilities represent an aggregate of \$1,740,426 in project cost recoveries to Cheniere, in addition to the \$1,000,000 initial installment payment received at closing.

Cheniere had pledged its Gryphon common stock as collateral to secure potential repayment of the \$650,000 advance received in December 2002. Such collateral was released in March 2003.

The Company accounted for this transaction in accordance with Emerging Issues Task Force Issue No. 89-7, *Exchange of Assets or Interest in a Subsidiary for a Noncontrolling Equity Interest in a New Entity*, and, accordingly, recorded a gain on the assets transferred to the extent of the percentage interest not retained.

On March 1, 2003, pursuant to an existing option agreement, Cheniere sold a 10% interest in Freeport LNG to a third party for \$2,333,333, payable over time, including the cancellation of the Company's \$750,000 short-term note payable. Cheniere retained a 30% interest in Freeport LNG. In connection with the closing of the transactions in 2003, Cheniere issued warrants for the purchase of 1,000,000 shares of its common stock at a price of \$2.50 per share, exercisable for a period of 10 years.

The financial position of Freeport LNG at September 30, 2003 and the results of Freeport LNG's operations for the three months and nine months ended September 30, 2003 are summarized as follows:

	<u>September 30, 2003</u>			
	(Unaudited)			
Current assets	\$	395,450		
Fixed assets, net		95,019		
		<hr/>		
Total assets	\$	490,469		
		<hr/>		
Current liabilities	\$	815,499		
Partners' capital		(325,030)		
		<hr/>		
Total liabilities and partners' capital	\$	490,469		
		<hr/>		
	<u>Three Months</u>	<u>Nine Months</u>		
	<u>Ended</u>	<u>Ended</u>		
	<u>September 30, 2003</u>	<u>September 30, 2003</u>		
	<hr/>			
	(Unaudited)	(Unaudited)		
Loss from continuing operations	\$	1,992,623	\$	8,852,117
Net loss		1,985,626		8,852,117
Cheniere's equity in losses from limited partnership		595,688		2,655,635

Corpus Christi LNG

In May 2003, Cheniere formed a limited partnership, Corpus Christi LNG, L.P. ("Corpus LNG") to develop an LNG receiving terminal near Corpus Christi, Texas. Under the terms of the

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

limited partnership agreement, Cheniere contributed its technical expertise and know-how, and all of the work in progress related to the Corpus Christi project, in exchange for a 66.7% interest in Corpus LNG. BPU LNG committed to contribute its approximately 210-acre tract of land plus related easements and additional rights to a further 400 acres, and cash to fund the first \$4,500,000 of Corpus LNG project expenses and 33.3% of additional expenses. BPU holds a 33.3% interest in Corpus LNG. Cheniere will manage the project through the general partner interest held by its wholly owned subsidiary.

The financial position of Corpus LNG at September 30, 2003 and the results of Corpus LNG's operations for the three months and six months (from inception) ended September 30, 2003, which are included in the consolidated financial statements of Cheniere, are summarized as follows:

	<u>September 30, 2003</u>	
	(Unaudited)	
Current assets	\$ 526,632	
Total assets	\$ 526,632	
Current liabilities	\$ 404,610	
Partners' capital	122,022	
Total liabilities and partners' capital	\$ 526,632	
	<u>Three Months Ended</u>	<u>Six Months (From Inception) Ended</u>
	<u>September 30, 2003</u>	<u>September 30, 2003</u>
	(Unaudited)	
Loss from continuing operations	\$ 1,132,211	\$ 1,552,978
Net loss	1,132,211	1,552,978
Cheniere's equity in losses from limited partnership (a)	—	—

- (a) As Cheniere's investment basis in Corpus LNG at September 30, 2003 is zero, the entire net loss of the partnership is reflected as minority interest in the consolidated financial statements of Cheniere.

Note 5—Accrued Liabilities

Accrued liabilities consist of the following:

	<u>September 30, 2003</u>	<u>December 31, 2002</u>
	(Unaudited)	
LNG costs	\$ 969,282	\$ 391,177
Oil and gas property costs	—	250,000
Taxes other than income	39,270	42,611
Legal, accounting and other professional fees	114,500	—
	\$ 1,123,052	\$ 683,788

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

LNG costs accrued at September 30, 2003 include: (a) \$627,000 in financial advisor fees and expenses and (b) \$342,282 in other LNG related expenses.

Note 6—Note Payable

In June 2002, Cheniere received \$750,000 as a refundable payment for the sale of two options to purchase an aggregate of up to a 20% interest in its Freeport LNG receiving terminal project. In the event the first option was exercised, the payment was to be applied to the purchase price. In the event the option was not exercised, the payment was refundable, and repayment was secured by a note payable executed by Cheniere. The note was payable in full on July 15, 2003. It was to bear interest at 8%, payable at maturity and accruing from the earlier of the time the option expired or the date the holder elected not to exercise. The note was secured by Cheniere's revenues, accounts receivable and other assets. In March 2003, the option was exercised, the note payable was canceled and the security was released.

In February 2003, Cheniere executed a promissory note payable in the amount of \$225,000. The proceeds of the note were used to pay certain costs related to the Company's 3-D seismic database. The note was due and payable in twelve monthly installments of \$20,000, which commenced in March 2003. It bore interest at a rate of approximately 12% per annum and was secured by a pledge of the Company's oil and gas receivables. In July 2003, Cheniere repaid the balance outstanding on the promissory note payable. The note and related security agreement were canceled.

In July 2003, Cheniere established a \$5,000,000 line of credit with a commercial bank, with an initial borrowing base of \$2,000,000. The facility is secured by the assets of the Company, and its term, as amended, runs through December 31, 2004. Any borrowing will bear interest at the bank's prime rate plus 2.5% per annum. In addition, a commitment fee of 0.5% per annum will be assessed on the unused borrowing base capacity. The interest and commitment fee are to be paid quarterly. A loan origination fee of 1% of the initial borrowing base was paid at closing.

Note 7—Common Stock

On April 15, 2003, Cheniere issued 750,000 shares of its common stock to satisfy a closing requirement related to Cheniere's February 2003 sale of a 60% interest in its Freeport LNG project. The issuance was made pursuant to a contingent contractual obligation related to Cheniere's 2001 acquisition of an option to lease the Freeport LNG terminal site.

On May 6, 2003, Cheniere issued 792,892 shares of common stock to seventeen investors in a private placement made pursuant to Regulation D. The purchase price of the shares included cash of \$1,189,338 and the surrender of existing warrants to purchase 792,892 shares of Cheniere common stock.

During the three months ended September 30, 2003, the Company issued 25,000 shares of common stock pursuant to the exercise of stock options at a price of \$1.06 per share, generating proceeds of \$26,500. Cheniere also issued 537,501 shares of common stock upon the exercise of warrants with an average price of \$2.41 per share, generating \$1,295,002 in proceeds. Another 378,308 shares of common stock were issued pursuant to a cashless exercise of warrants to purchase 700,000 shares exercisable at \$2.50 per share based on the then-current price of \$5.44 per share.

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Note 8—Non-Cash Transactions

In connection with the sale of a 60% interest in its Freeport LNG project in February 2003, the Company issued warrants valued at \$540,015 to purchase 700,000 shares of Cheniere common stock. As a result of the closing on the Freeport transaction, the Company issued warrants valued at \$173,576 to purchase 225,000 shares of Cheniere common stock to LNG consultants for services previously performed for the Company. In connection with the sale of a 10% interest in the limited partnership, the Company issued warrants valued at \$241,893 to purchase 300,000 shares of Cheniere common stock to the purchaser, and the purchaser canceled the \$750,000 note previously payable by Cheniere. Pursuant to a contingent contractual obligation related to Cheniere's 2001 acquisition of an option to lease the Freeport LNG terminal site, the Company issued 750,000 shares of its common stock, valued at \$1,312,500 on the date of issuance in April 2003, to satisfy a closing requirement related to Cheniere's February 2003 sale of a 60% interest in its Freeport LNG project. In August 2003, the Company issued 378,308 shares of common stock pursuant to a cashless exercise of warrants to purchase 700,000 shares exercisable at \$2.50 per share based on the then-current price of \$5.44 per share.

Note 9—Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. The computation of diluted net income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock that are dilutive to net income were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the earnings of the Company.

The following table is a reconciliation of the basic and diluted weighted average shares outstanding for the three months and nine months ended September 30, 2003 and 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Weighted average common shares outstanding:				
Basic	15,180,473	13,297,393	14,306,270	13,297,393
Dilutive common stock options (a)	—	—	—	—
Dilutive common stock warrants (b)	—	—	—	—
Diluted	15,180,473	13,297,393	14,306,270	13,297,393

- (a) Options to purchase 214,861 shares and 956,111 shares of common stock were outstanding but not included in the computations of diluted net income (loss) per share for the three months ended September 30, 2003 and 2002, respectively, because the exercise prices of the options were greater than the average market price of the common shares and would be anti-dilutive to the computations. In-the-money options representing 1,792,500 shares and 760,000 shares of common stock were not included in the computation of diluted net loss per share for the three months ended September 30, 2003 and 2002, respectively, because they have an anti-dilutive effect to net loss per share. Options to purchase 264,861 shares and 956,111 shares of common stock were outstanding but not included in the computations of diluted net income (loss) per share for the nine months ended September 30, 2003 and 2002, respectively, because the exercise prices of the options were greater than the average market price of the common shares

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and would be anti-dilutive to the computations. In-the-money options representing 1,742,500 shares and 760,000 shares of common stock were not included in the computation of diluted net loss per share for the nine months ended September 30, 2003 and 2002, respectively, because they have an anti-dilutive effect to net loss per share.

- (b) Warrants to purchase 313,750 shares and 3,100,288 shares of common stock were outstanding but not included in the computations of diluted net income (loss) per share for the three months ended September 30, 2003 and 2002, respectively, because the exercise prices of the warrants were greater than the average market price of the common shares and would be anti-dilutive to the computations. In-the-money warrants representing 1,502,427 shares of common stock were not included in the computation of diluted net loss per share for the three months ended September 30, 2003, because they have an anti-dilutive effect to net loss per share. There were no in-the-money warrants outstanding during the three months ended September 30, 2002. Warrants to purchase 492,460 shares and 3,100,288 shares of common stock were outstanding but not included in the computations of diluted net income (loss) per share for the nine months ended September 30, 2003 and 2002, respectively, because the exercise prices of the warrants were greater than the average market price of the common shares and would be anti-dilutive to the computations. In-the-money warrants representing 1,323,717 shares of common stock were not included in the computation of diluted net loss per share for the nine months ended September 30, 2003, because they have an anti-dilutive effect to net loss per share. There were no in-the-money warrants outstanding during the nine months ended September 30, 2002.

Note 10— Subsequent Events

In October 2003, Cheniere amended its line of credit which had been established with a commercial bank in July 2003, extending the term through December 31, 2004.

In October 2003, the Company entered into a 10-year office lease covering approximately 16,157 square feet. The payment of rentals will commence in April 2004. In connection with the lease, Cheniere has issued a letter of credit in favor of the landlord in the amount of \$865,142.

Subsequent to September 30, 2003, the Company issued 45,000 shares of common stock pursuant to the exercise of stock options at an average price of \$1.14 per share, generating proceeds of \$51,500. Cheniere also issued 117,459 shares of common stock upon the exercise of warrants with an average price of \$3.82 per share, generating \$448,456 in proceeds.

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

General

The Company's unaudited consolidated financial statements and notes thereto relate to the three-month and nine-month periods ended September 30, 2003 and 2002. 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, 2002 contain detailed information that should be referred to in conjunction with the following discussion.

Production and Product Prices

Information concerning the Company's production and average prices received for the three-month and nine-month periods ended September 30, 2003 and 2002 is presented in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Production				
Oil (Bbls)	11	—	13	490
Gas (Mcf)	26,659	6,735	65,822	87,167
Gas equivalents (Mcf)	26,725	6,735	65,900	90,107
Average sales prices				
Oil (per Bbl)	\$ 25.92	\$ —	\$ 26.88	\$ 20.00
Gas (per Mcf)	\$ 5.06	\$ 3.27	\$ 5.57	\$ 2.51
Gas equivalents (per Mcfe)	\$ 5.06	\$ 3.27	\$ 5.56	\$ 2.53

Results of Operations

Comparison of Three-Month Periods Ended September 30, 2003 and 2002—The Company's operating results for the three months ended September 30, 2003 reflect a loss of \$2,387,021, or \$0.16 per share, compared to a loss of \$1,474,972, or \$0.11 per share a year earlier, resulting in a \$912,049 increase in Cheniere's loss for the quarter. LNG related expenses increased by \$1,328,476, primarily due to the additional permitting, environmental and regulatory work involved with two LNG terminal facilities in the 2003 period compared to that involved with one facility in the year earlier period. The Company's equity in net loss of limited partnership of \$595,688 recorded in the 2003 period compares with a zero effect in the prior year period because the Freeport LNG partnership was formed in 2003. Cheniere's loss for the 2003 quarter is net of a minority interest of \$1,132,211 representing LNG expenses incurred by Corpus LNG, which was formed in 2003.

In the third quarter of 2003, Cheniere recorded oil and gas revenues of \$135,245 compared to \$21,998 a year earlier. Depreciation, depletion and amortization ("DD&A") of oil and gas property costs increased to \$22,715 for the 2003 quarter compared to \$3,981 for the 2002 quarter. The increases in oil and gas revenues and DD&A are the result of seven wells on production during all or part of the 2003 quarter compared to one well during the 2002 quarter.

General and administrative ("G&A") expenses, net of amounts capitalized, were \$2,958,788 and \$1,366,090 in the third quarters of 2003 and 2002, respectively. Total G&A expenses increased by

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\$1,629,698 to \$3,206,788 in the third quarter of 2003 from the total of \$1,577,090 a year earlier. Consulting fees increased by \$1,285,348, primarily due to the additional permitting, environmental and regulatory work involved with two LNG terminal facilities in the 2003 period compared to that involved with one facility in the year earlier period. Offsetting total G&A expenses were amounts capitalized to the Company's oil and gas properties. Cheniere capitalizes as oil and gas property costs that portion of G&A expenses directly related to its exploration and development activities. Cheniere capitalized \$248,000 in the third quarter of 2003 compared to \$211,000 a year earlier.

Until January 1, 2003, Cheniere accounted for its investment in Gryphon using the equity method of accounting because its participation on the Gryphon board of directors provided significant influence over the operating and financial policies of Gryphon. In December 2002, the extent of such influence was diminished when one of the two Cheniere-appointed representatives on the Gryphon board of directors resigned his position as an officer of Cheniere. Effective on January 1, 2003, Cheniere began accounting for its investment in Gryphon using the cost method of accounting.

As of December 31, 2002, Cheniere's basis of its investment in Gryphon was reduced to zero, but not below zero, because Cheniere does not guarantee any obligations of Gryphon and is not committed to provide additional financial support to Gryphon. For the three months ended September 30, 2003, Cheniere received no dividends from Gryphon and, accordingly, reported no income from its investment in Gryphon. For the three months ended September 30, 2002, Cheniere's equity share of Gryphon's losses was zero, calculated by applying Cheniere's 100% common stock ownership interest to Gryphon's net income of \$1,429,000, reducing such result for Gryphon's preferred dividend arrearages of \$1,563,094 and limiting the amount of loss recognized to the balance of Cheniere's investment in Gryphon as of June 30, 2002, which was zero. At such time as Warburg converts its preferred shares to common shares, Cheniere's equity share of Gryphon's earnings will be calculated at 9.3%, based on the number of Gryphon shares outstanding at September 30, 2003.

In the third quarter of 2003, Cheniere recorded equity in net loss of limited partnership of \$595,688, calculated by applying Cheniere's 30% limited partner interest to Freeport LNG's net loss of \$1,985,626.

Comparison of Nine-Month Periods Ended September 30, 2003 and 2002—The Company's operating results for the nine months ended September 30, 2003 reflect a loss of \$889,954 or \$0.06 per share, compared to a loss of \$6,371,968, or \$0.48 per share a year earlier, resulting in a \$5,482,014 decrease in Cheniere's loss for the period. LNG related expenses increased by \$615,699, primarily due to the additional permitting, environmental and regulatory work involved with two LNG terminal facilities in the 2003 period compared to that involved with one facility in the year earlier period. The Company recorded a gain of \$4,760,000 in the 2003 period on the sale of a 60% interest in the Freeport LNG project to the limited partnership formed to develop the LNG terminal. The Company recorded a gain of \$423,454 in the 2003 period on the sale of an additional interest in the limited partnership. Cheniere's equity in net loss of unconsolidated affiliate of \$2,184,847 recorded in the 2002 period compares with zero in 2003 because the Company now follows the cost method of accounting for its investment in unconsolidated affiliate. The Company's equity in net loss of limited partnership of \$2,655,635 recorded in the 2003 period compares with a zero effect in the prior year period because the Freeport LNG partnership was formed in 2003. Cheniere's loss for the 2003 period is net of a minority interest of \$1,552,978 representing LNG expenses incurred by Corpus LNG, which was formed in 2003.

In the first nine months of 2003, Cheniere recorded oil and gas revenues of \$366,665 compared to \$221,557 a year earlier. Depreciation, depletion and amortization ("DD&A") of oil and gas property costs decreased to \$56,011 for the 2003 period compared to \$71,921 for the 2002 period. Production costs declined to zero from \$90,038 in 2002. The increase in oil and gas revenue is the result of higher average sales prices realized in the 2003 period, offset by lower production in the 2003 period due to the

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Company's sale of its West Cameron Block 49 properties in April 2002. Lower production also accounts for the decrease in oil and gas DD&A in the 2003 period.

General and administrative ("G&A") expenses, net of amounts capitalized, were \$5,088,698 and \$4,250,308 in the first nine months of 2003 and 2002, respectively. Total G&A expenses increased by \$947,390 to \$5,816,698 in the first nine months of 2003 from the total of \$4,869,308 a year earlier. Consulting fees increased by \$430,952, primarily due to the additional permitting, environmental and regulatory work involved with two LNG terminal facilities in the 2003 period compared to that involved with one facility in the year earlier period. Employee expense increased by \$363,208, primarily due to additional LNG related personnel required in the development of two LNG terminal facilities. Offsetting total G&A expenses were amounts capitalized to the Company's oil and gas properties. Cheniere capitalizes as oil and gas property costs that portion of G&A expenses directly related to its exploration and development activities. Cheniere capitalized \$728,000 in the first nine months of 2003 compared to \$619,000 a year earlier.

Until January 1, 2003, Cheniere accounted for its investment in Gryphon using the equity method of accounting because its participation on the Gryphon board of directors provided significant influence over the operating and financial policies of Gryphon. In December 2002, the extent of such influence was diminished when one of the two Cheniere-appointed representatives on the Gryphon board of directors resigned his position as an officer of Cheniere. Effective on January 1, 2003, Cheniere began accounting for its investment in Gryphon using the cost method of accounting.

As of December 31, 2002, Cheniere's basis of its investment in Gryphon was reduced to zero, but not below zero, because Cheniere does not guarantee any obligations of Gryphon and is not committed to provide additional financial support to Gryphon. For the nine months ended September 30, 2003, Cheniere received no dividends from Gryphon and, accordingly, reported no income from its investment in Gryphon. For the nine months ended September 30, 2002, Cheniere's equity share of Gryphon's losses was \$2,184,847, calculated by applying Cheniere's 100% common stock ownership interest to Gryphon's net loss of \$701,000, reducing such result for Gryphon's preferred dividend arrearages of \$4,055,062 and limiting the amount of loss recognized to the balance of Cheniere's investment in Gryphon as of June 30, 2002, which was zero. At such time as Warburg converts its preferred shares to common shares, Cheniere's equity share of Gryphon's earnings will be calculated at 9.3%, based on the number of Gryphon shares outstanding at September 30, 2003.

In the first nine months of 2003, Cheniere recorded equity in net loss of limited partnership of \$2,655,635, calculated by applying Cheniere's 30% limited partner interest to Freeport LNG's net loss of \$8,852,117.

Liquidity and Capital Resources

The accompanying financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. Management expects that the Company will meet all of its liquidity requirements by one or more of the following: cash flow from operations, the divestiture of producing oil and gas properties, sales of portions of its working interest in the prospects within its exploration program, sale to an industry partner of a participation in the Company's exploration program, sale of a participation interest in the Company's LNG projects, borrowings under the Company's line of credit and/or offerings of the Company's debt or equity securities. In the event that the Company is unable to obtain additional capital from one or more of these sources, its operations could be adversely affected.

The recoverability of the Company's unevaluated oil and gas properties and development of its

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LNG receiving terminal business are dependent on future events, including obtaining adequate financing for these programs, the successful completion of its planned drilling program, governmental and regulatory approvals of the LNG receiving terminals, and the achievement of a level of operating revenues that is sufficient to support the Company's cost structure. At various times during the life of the Company to date, it has been necessary for the Company to raise additional capital through private placements of debt or equity financing. When such a need has arisen, the Company has met it successfully. It is management's belief that it will continue to be able to meet its needs for additional capital as such needs arise in the future.

Cash Flow from Operating Activities

As of September 30, 2003, the Company had six wells producing from oil and gas discoveries made on prospects sold to and drilled by Cheniere's partners. The Company expects that additional wells will be drilled on prospects it has sold to industry partners. Cheniere retains an overriding royalty interest and/or a working interest in these wells. The Company's interests in these wells are small and revenues from oil and gas production are not expected to exceed approximately \$100,000 per month for the foreseeable future.

Note Payable

In June 2002, Cheniere received \$750,000 as a refundable payment for the sale of two options to purchase an aggregate of up to a 20% interest in its Freeport LNG receiving terminal project. In the event the first option was exercised, the payment was to be applied to the purchase price. In the event the option was not exercised, the payment was refundable, and repayment was secured by a note payable executed by Cheniere. The note was payable in full on July 15, 2003. It was to bear interest at 8%, payable at maturity and accruing from the earlier of the time the option expired or the date the holder elected not to exercise. The note was secured by Cheniere's revenues, accounts receivable and other assets. In March 2003, the option was exercised, the note payable was canceled and the security was released.

In February 2003, Cheniere executed a promissory note payable in the amount of \$225,000. The proceeds of the note were used to pay certain costs related to the Company's 3-D seismic database. The note was due and payable in twelve monthly installments of \$20,000, which commenced in March 2003. It bore interest at a rate of approximately 12% per annum and was secured by a pledge of the Company's oil and gas receivables. In July 2003, the remaining balance on the note was paid, the note payable was canceled and the security was released.

Bank Line of Credit

On July 25, 2003, Cheniere established a \$5,000,000 line of credit with a commercial bank, with an initial borrowing base of \$2,000,000. The facility is secured by the assets of the Company, and its term, as amended, runs through December 31, 2004. Any borrowing will bear interest at the bank's prime rate plus 2.5% per annum. In addition, a commitment fee of 0.5% per annum will be assessed on the unused borrowing base capacity. The interest and commitment fee are to be paid quarterly. A loan origination fee of 1% of the initial borrowing base was paid at closing.

Sale of Securities

In May 2003, Cheniere issued 792,892 shares of common stock to seventeen investors in a private placement made pursuant to Regulation D. The purchase price of the shares included cash of \$1,189,338 and the surrender of existing warrants to purchase 792,892 shares of Cheniere common stock.

During the three months ended September 30, 2003, the Company issued 25,000 shares of common stock pursuant to the exercise of stock options at a price of \$1.06 per share, generating proceeds

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of \$26,500. Cheniere also issued 537,501 shares of common stock upon the exercise of warrants with an average price of \$2.41 per share, generating \$1,295,002 in proceeds.

Subsequent to September 30, 2003, the Company issued 45,000 shares of common stock pursuant to the exercise of stock options at an average price of \$1.14 per share, generating proceeds of \$51,500. Cheniere also issued 117,459 shares of common stock upon the exercise of warrants with an average price of \$3.82 per share, generating \$448,456 in proceeds.

Exploration Funding

On October 11, 2000, Cheniere completed a transaction with Warburg to fund its exploration program on approximately 8,800 square miles of seismic data in the Gulf of Mexico through a newly formed affiliated company, Gryphon. Cheniere contributed selected assets and liabilities in exchange for 100% of the common stock of Gryphon (36.8% effective interest after conversion of preferred stock) and \$2,000,000 in cash. Such assets included: Cheniere's seismic data license covering 8,800 square miles offshore Louisiana, certain offshore leases, a prospect then being drilled, its exploration agreement with an industry partner and certain other assets and liabilities. Warburg contributed \$25,000,000 and received preferred stock, with an 8% cumulative dividend, convertible into 63.2% of Gryphon's common stock. Cheniere and Warburg also had options, under certain circumstances, to contribute an additional \$75,000,000 to Gryphon, proportionate to their respective ownership interests. As of September 30, 2003, Warburg has funded an additional \$60,000,000, making its total cash contributions to Gryphon \$85,000,000. The effect of Cheniere's decision not to fund these subsequent cash calls to date, and the effect of sales of Gryphon common stock held by Cheniere back to Gryphon, have reduced Cheniere's effective ownership in Gryphon to 9.3% as of September 30, 2003.

Sale of Interest in Freeport, Texas LNG Terminal

In August 2002, Cheniere entered into an agreement with entities controlled by Michael S. Smith to sell a 60% interest in its planned LNG receiving facility at Freeport, Texas. In February 2003, Cheniere's Freeport LNG project was acquired by Freeport LNG, in which Cheniere retained a 40% interest. Freeport LNG will pay Cheniere \$5,000,000 in cash and will spend up to \$9,000,000 to obtain permits and prepare the project for the construction phase with no further contribution by Cheniere. After contribution of the full \$9,000,000, additional expenses will be borne by the parties pro rata based on their respective ownership interests. Smith, through a controlled entity, Investments, holds a 60% interest in Freeport LNG. Smith will manage the project as chief executive officer of Freeport LNG.

The cash payments to Cheniere are payable \$1,000,000 at closing; \$750,000 on July 15, 2003 and October 15, 2003; and \$2,500,000 30 days after all construction permits are obtained for the Freeport site. The second and third payments are subject to acceleration under certain circumstances. In June 2003, Cheniere received \$1,250,000 from Freeport LNG, representing an acceleration of the July 15, 2003 payment and of \$500,000 otherwise payable in October 2003. The remaining \$250,000 payable to Cheniere in October 2003 was timely paid by Freeport LNG.

With the signing of a definitive lease agreement for the Freeport, Texas terminal site on December 19, 2002, Freeport LNG paid to Cheniere \$650,000 for related costs and expenses, which amount would have been reimbursable by Cheniere had the sale to Freeport LNG not been completed. Furthermore, at closing on February 27, 2003, Freeport LNG paid Cheniere \$530,215 in cash and assumed Cheniere liabilities of \$560,211 related to Freeport LNG project costs. These payments and assumptions of liabilities represent an aggregate of \$1,740,426 in project cost recoveries to Cheniere, in addition to the \$1,000,000 initial installment payment received at closing.

On March 1, 2003, Cheniere sold a 10% interest in Freeport LNG to a third party for \$2,333,333,

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payable over time. Cheniere retained a 30% interest in Freeport LNG.

Corpus Christi, Texas LNG Terminal Funding

In May 2003, Cheniere formed a limited partnership, Corpus LNG, to develop an LNG receiving terminal near Corpus Christi, Texas. Under the terms of the Limited Partnership Agreement, Cheniere contributed its technical expertise and know-how, and all of the work in progress related to the Corpus Christi project, in exchange for a 66.7% interest in Corpus LNG. BPU LNG committed to contribute its approximately 210-acre tract of land plus related easements and additional rights to a further 400 acres, and cash to fund the first \$4,500,000 of Corpus LNG project expenses and 33.3% of additional expenses. BPU holds a 33.3% interest in Corpus LNG. Cheniere will manage the project through the general partner interest held by its wholly owned subsidiary.

Recently Issued Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 143, *Accounting for Asset Retirement Obligations (“ARO”)*, which requires that an asset retirement cost be capitalized as part of the cost of the related long-lived asset and allocated to expense by using a systematic and rational method. Under this Statement, an entity is not required to re-measure an ARO liability at fair value each period but is required to recognize changes in an ARO liability resulting from the passage of time and revisions in cash flow estimates. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company adopted SFAS No. 143 effective January 1, 2003. As the Company currently has no long-lived assets for which it has a legal obligation associated with the retirement of such assets, the initial adoption of SFAS No. 143 impact on its earnings or statement of financial position.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*, which amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This Statement is effective for fiscal years ending after December 15, 2002 for transition guidance and annual disclosure provisions, and for financial reports containing financial statements for interim periods beginning after December 15, 2002 for interim disclosure provisions. The Company is not currently transitioning to the fair value method of accounting for stock-based compensation; however, it adopted the disclosure provisions of SFAS No. 148 effective with its fiscal year ended December 31, 2002.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities (“FIN No. 46”)*, which addresses consolidation by business enterprises of variable interest entities. FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company does not expect to identify any variable interest entities that must be consolidated. In the event a variable interest entity is identified, the Company does not expect the requirements of FIN No. 46 to have a material impact on its financial condition or results of operations.

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In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity*, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope, which may have previously been reported as equity, as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003 for public companies. The Company does not believe that the adoption of SFAS No. 150 will have a significant impact on its financial statements.

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; (i) statements regarding the Company’s business strategy, plans and objectives and (ii) statements expressing beliefs and expectations regarding the ability of the Company to secure the leases necessary to facilitate anticipated drilling activities, the ability of the Company to attract additional working interest owners to participate in its exploration and development activities and the ability of the Company to fund the development phase of its LNG project, and to obtain the appropriate permits and environmental approvals necessary to begin construction of an LNG terminal. 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 prospects.
- The Company’s ability to encounter hydrocarbons in sufficient quantities to be economically viable, and its ability to overcome the operating hazards which are inherent in the oil and gas industry and which are intensified by the Company’s concentration of its producing oil and gas assets in few properties.
- 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.

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The foregoing list of important factors is not exclusive.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company produces and sells natural gas, crude oil and condensate. As a result, the Company's financial results can be significantly affected as these commodity prices fluctuate widely in response to changing market forces. The Company has not entered into any derivative transactions as of September 30, 2003.

Item 4. Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under Securities Exchange Act of 1934) as of September 30, 2003. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. Other Information

Item 1. Legal Proceedings

The Company has been and may in the future be involved as a party to various legal proceedings, which are incidental to the ordinary course of business. Management regularly analyzes current information and as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. In the opinion of management and legal counsel, as of September 30, 2003, there were no threatened or pending legal matters that would have a material impact on the Company's consolidated results of operations, financial position or cash flows.

Item 2. Changes in Securities

The information contained in Note 7 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:

<u>Exhibit No.</u>	<u>Description</u>
3.1	Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 1999 as filed with the Securities and Exchange Commission on August 16, 1999 (File No. 0-09092))
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Cheniere Energy, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 1999 as filed with the Securities and Exchange Commission on August 16, 1999 (File No. 0-09092))
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 for the year ended December 31, 1998 as filed with the Securities and Exchange Commission on March 29, 1999 (File No. 0-9092))
10.1*	First Amendment to Credit Agreement—Revolving Line of Credit of up to \$5,000,000 from Sterling Bank to Cheniere Energy, Inc., Cheniere LNG, Inc., Cheniere Energy Operating Co., Inc., Cheniere LNG Services, Inc. and Cheniere-Gryphon Management, Inc. dated October 23, 2003
31.1*	Certification of Chief Executive Officer
31.2*	Certification of Chief Financial Officer
32.1*	Certification of Chief Executive Officer and Chief Financial Officer

* Filed herewith

(b) Current Reports on Form 8-K:

August 14, 2003—Cheniere filed a Current Report on Form 8-K disclosing the results of its operations for the second quarter ended June 30, 2003.

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: November 13, 2003

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "First Amendment") is entered into as of October 24, 2003 by and among CHENIERE ENERGY, INC. ("Parent Borrower"), CHENIERE LNG, INC. ("Cheniere LNG"), CHENIERE ENERGY OPERATING CO., INC., CHENIERE LNG SERVICES, INC. AND CHENIERE-GRYPHON MANAGEMENT, INC. ("Cheniere-Gryphon"), each a Delaware corporation, (each, individually, a "Borrower" and collectively, the "Borrowers") and STERLING BANK, a Texas chartered banking association (the "Bank"). Capitalized terms used but not defined in this Amendment have the meaning given them in the Credit Agreement (defined below).

RECITALS

A. Borrowers and Bank entered into that certain Credit Agreement dated as of July 25, 2003 (as amended, restated or supplemented the "Credit Agreement").

B. Borrowers and Bank have agreed to amend the Credit Agreement, subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned hereby agree as follows:

I. Amendments to Credit Agreement

ARTICLE I, DEFINITIONS, of the Credit Agreement is hereby amended by adding the following definition:

"First Amendment" means the First Amendment to Credit Agreement dated October 24, 2003 among Borrowers and Bank.

"Borrowing Base Assets" means any Collateral covered by the Security Instruments other than Borrowing Base Oil and Gas Properties *provided that*, with regard to the last sentence of Section 2.05(a) hereunder, the Borrowing Base Assets includes any Oil and Gas Property of any Borrower.

ARTICLE I, DEFINITIONS, of the Credit Agreement is hereby further amended by deleting the definitions of the following terms in their entirety:

"Periodic Borrowing Base Reduction"; and

"Periodic Borrowing Base Reduction Schedule"; and

ARTICLE I, DEFINITIONS, of the Credit Agreement is hereby further amended by revising the following definition to read as follows:

"Revolving Loan Termination Date" means December 31, 2004.

“Current Assets” means at any time, all assets, that should in accordance with GAAP, be classified as current assets on a consolidated balance sheet of Parent Borrower and its Subsidiaries.

“Revolving Commitment Limit” means \$2,000,000 as of the date of the First Amendment, but such amount may be increased by the Bank in its sole discretion from time to time with the agreement of the Borrowers (a) should the Borrowers contribute additional assets other than Oil and Gas Properties of the Borrowers to the Borrowing Base Assets and/or additional Oil and Gas Properties of the Borrowers to the Borrowing Base Oil and Gas Properties in accordance with this Agreement or (b) should the Borrowing Base, as determined in accordance with Section 2.05, ever exceed such amount.

Section 2.05(a), Borrowing Base Determination of the Credit Agreement is hereby amended by replacing the text of that section in its entirety with the following text:

(a) The Borrowing Base as of the date of the First Amendment is equal to \$2,000,000. The portion of the Borrowing Base attributable to the Borrowing Base Oil and Gas Properties is equal to \$0 and the portion of the Borrowing Base attributable to the Borrowing Base Assets is equal to \$2,000,000. Subject to the other provisions of this Agreement, the Borrowing Base attributable to the Borrowing Base Assets shall be automatically reduced by the application of the provisions of Sections 2.06(b)(i), (ii), (iii) and (iv) hereunder.

Section 4.06, Owner of Borrowing Base Receivables and Title to Borrowing Base Oil and Gas Properties of the Credit Agreement is hereby amended by adding the following text at the end of that section:

The Borrowing Base Assets are free of all liens, security interests and encumbrances. The respective Borrower has Marketable Title to the Borrowing Base Assets.

ARTICLE V, AFFIRMATIVE COVENANTS, of the Credit Agreement is hereby amended by adding the following Sections 5.39, 5.40 and 5.41 thereto:

5.39. Oil and Gas Properties. Promptly, but in any event within seven (7) days of obtaining the lease interests in those certain Leases described on Schedule 5.39 attached to the First Amendment, execute and deliver the Security Instruments requested by Bank sufficient to grant Bank the liens and security interests in the Collateral related to such Leases.

5.40. Stock Certificate of Cheniere LNG. Deliver, within thirty (30) days of the date of the First Amendment, to Bank an updated stock certificate of Parent Borrower’s ownership in Cheniere LNG in substitution of the stock certificate of CXY Corporation’s ownership in Cheniere LNG delivered at Closing.

5.41. Consent and Agreement. Deliver, within thirty (30) days of the date of the First Amendment, to Bank a form, satisfactory to Bank, of a consent and agreement

executed by the general partner of Corpus Christi LNG, L.P. acknowledging and agreeing to the pledge of Cheniere LNG's partnership interest in Corpus Christi LNG, L.P. and the transfer of such partnership interest upon the enforcement of Bank's rights under the applicable Security Instruments. Cheniere LNG further agrees to satisfy all requirements under Section 15.1 of the Limited Partnership Agreement dated May 15, 2003 relating to the transfer of such partnership interest upon the enforcement of Bank's rights under the applicable Security Instruments.

Section 6.04, Sales of Assets of the Credit Agreement is hereby amended by adding the following text " , any Collateral" immediately following the term "Oil and Gas Properties" therein.

The Credit Agreement is hereby further amended by replacing the term "Borrowing Base Receivables" with the term "Borrowing Base Assets" in the definition of "Borrowing Base Properties," Section 2.05(d), Section 3.03(C) and Section 5.25.

Exhibit D attached to the Credit Agreement is replaced with Exhibit D attached to the First Amendment.

Schedule 2.05(a), Periodic Borrowing Base Reduction Schedule is hereby deleted in their entirety.

II. Conditions. This Amendment shall be effective once each of the following have been delivered to Bank:

- (a) this Amendment executed by Borrowers and Bank;
- (b) Security Instruments covering Cheniere LNG's partnership interest in Corpus Christi LNG, L.P.; and
- (c) such other documents as Bank may reasonably request.

III. Representations and Warranties. Borrowers represent and warrant to Bank that (a) they possess all requisite power and authority to execute, deliver and comply with the terms of this Amendment, (b) this Amendment has been duly authorized and approved by all requisite corporate action on the part of the Borrowers, (c) no other consent of any Person (other than Bank) is required for this Amendment to be effective, (d) the execution and delivery of this Amendment does not violate their organizational documents, (e) the representations and warranties in each Loan Document to which they are a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of this Amendment (*except* to the extent that such representations and warranties speak to a specific date), (f) it is in full compliance with all covenants and agreements contained in each Loan Document to which it is a party, and (g) no Event of Default or Unmatured Event of Default has occurred and is continuing. The representations and warranties made in this Amendment shall survive the execution and delivery of this Amendment. No investigation by Bank is required for Bank to rely on the representations and warranties in this Amendment.

IV. Scope of Amendment; Reaffirmation; Release. All references to the Credit Agreement shall refer to the Credit Agreement as amended by this Amendment. Except as affected by this Amendment, the Loan Documents are unchanged and continue in full force and effect. However, in the event of any inconsistency between the terms of the Credit Agreement (as amended by this Amendment) and any other Loan Document, the terms of the Credit Agreement shall control and such other document shall be deemed to be amended to conform to the terms of the Credit Agreement. Borrowers hereby reaffirm their obligations under the Loan Documents to which they are parties to and agree that all Loan Documents to which they are parties to remain in full force and effect and continue to be legal, valid, and binding obligations enforceable in accordance with their terms (as the same are affected by this Amendment). Borrowers hereby release Bank from any liability for actions or omissions in connection with the Credit Agreement and the other Loan Documents prior to the date of this Amendment.

V. Miscellaneous.

(a) No Waiver of Defaults. This Amendment does not constitute (i) a waiver of, or a consent to, (A) any provision of the Credit Agreement or any other Loan Document not expressly referred to in this Amendment, or (B) any present or future violation of, or default under, any provision of the Loan Documents, or (ii) a waiver of Bank's right to insist upon future compliance with each term, covenant, condition and provision of the Loan Documents.

(b) Form. Each agreement, document, instrument or other writing to be furnished Bank under any provision of this Amendment must be in form and substance satisfactory to Bank and its counsel.

(c) Headings. The headings and captions used in this Amendment are for convenience only and will not be deemed to limit, amplify or modify the terms of this Amendment, the Credit Agreement, or the other Loan Documents.

(d) Costs, Expenses and Attorneys' Fees. Borrowers agree to pay or reimburse Bank on demand for all its reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, and execution of this Amendment, including, without limitation, the reasonable fees and disbursements of Bank's counsel.

(e) Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of each of the undersigned and their respective successors and permitted assigns.

(f) Multiple Counterparts. This Amendment may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one and the same instrument. This Amendment may be transmitted and signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually-signed originals and shall be binding on Borrowers and Bank. Bank may also require that any such documents and signatures be confirmed by a manually-

signed original; *provided that* the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(g) Governing Law. This Amendment and the other Loan Documents must be construed, and their performance enforced, under Texas law.

(h) Entirety. **THE LOAN DOCUMENTS (AS AMENDED HEREBY) REPRESENT THE FINAL AGREEMENT BY AND AMONG BORROWERS AND BANK AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

[Signatures appear on the next page.]

The Amendment is executed as of the date set out in the preamble to this Amendment.

BORROWER:

CHENIERE ENERGY, INC.

By: /s/ DON A. TURKLESON

Don A. Turkleson
Secretary

CHENIERE LNG, INC.

By: /s/ DON A. TURKLESON

Don A. Turkleson
Secretary

CHENIERE ENERGY OPERATING CO., INC.

By: /s/ DON A. TURKLESON

Don A. Turkleson
Chief Financial Officer

CHENIERE LNG SERVICES, INC.

By: /s/ DON A. TURKLESON

Don A. Turkleson
Secretary

CHENIERE-GRYPHON MANAGEMENT, INC.

By: /s/ CHARIF SOUKI

Charif Souki
President

BANK:

STERLING BANK

By: /s/ C. SCOTT WILSON

C. Scott Wilson
Vice President

CERTIFICATION

I, Charif Souki, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheniere Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2003

/s/ Charif Souki

Charif Souki
Chief Executive Officer

CERTIFICATION

I, Don A. Turkleson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cheniere Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2003

/s/ Don A. Turkleson

Don A. Turkleson
Chief Financial Officer

CERTIFICATION OF PERIODIC REPORT

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, Charif Souki, Chief Executive Officer of Cheniere Energy, Inc. (the "Company"), and Don A. Turkleson, Chief Financial Officer of the Company, certify that:

(1) the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2003

/s/ Charif Souki

Charif Souki
Chief Executive Officer

/s/ Don A. Turkleson

Don A. Turkleson
Chief Financial Officer

This certification is made solely pursuant to the requirement of Section 1350 of 18 U.S.C. and is not for any other purpose.