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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MAY 31, 1997

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

For the transition period from _______ to ________

COMMISSION FILE NO. 0-9092

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

Delaware
(State or other jurisdiction of incorporation or organization)

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

1200 SMITH STREET, SUITE 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 [X] NO [ ].

As of July 15, 1997, there were 13,510,866 shares of Cheniere Energy, Inc. Common Stock, $.003 par value, issued and outstanding.

CHENIERE ENERGY, INC.
INDEX TO FORM 10-Q

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

<TABLE>
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ASSETS	May 31, 1997	August 31, 1996
<S>	<C>	<C>
CURRENT ASSETS		
Cash	$ 2,255,281	$1,093,180
Prepaid Expenses and Other Assets	79,700	4,800
TOTAL CURRENT ASSETS	2,334,981	1,097,980
PROPERTY AND EQUIPMENT, NET	51,265	46,830
OTHER ASSETS		
Investment in 3-D Exploration Program	10,000,000	4,000,000
Security Deposit	500	500
TOTAL OTHER ASSETS	10,000,500	4,000,500
TOTAL ASSETS	$12,386,746	$5,145,310
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 436,821	$ 292,894
Loans Payable	-	425,000
Advance from Officers	-	961
Advance for Issuance of Common Stock	-	-
TOTAL LIABILITIES	436,821	718,855
STOCKHOLDERS' EQUITY		
Common Stock- $.003 Par Value Authorized 20,000,000 shares; 13,477,533 and 9,931,767 Issued and Outstanding at May 31, 1997 and August 31, 1996, respectively	40,433	29,795
Preferred Stock- Authorized 1,000,000 Shares; None Issued and Outstanding		
Additional Paid-in-Capital	12,834,239	4,518,507
Deficit Accumulated During the Development Stage	(924,747)	(121,847)
TOTAL STOCKHOLDERS' EQUITY	11,949,925	4,426,455
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$12,386,746	$5,145,310

</TABLE>

See Accompanying Notes to Financial Statements.

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

<TABLE>
<CAPTION>

	Three Months Ended May 31, 1997	Nine Months Ended May 31, 1997	Cumulative from the Date of Inception
<S>	<C>	<C>	<C>
Revenue	$ -	$ -	$ -

General and Administrative Expenses	364,696	676,389	780,203
Professional Fees in Connection with Poseidon Agreement	164,812	164,812	164,812
Interest Expense	-	15,002	34,835
	529,508	856,203	979,850
Loss from Operations Before Other Income	(529,508)	(856,203)	(979,850)
Interest Income	31,307	53,303	55,103
Loss From Operations Before Income Taxes	(498,201)	(802,900)	(924,747)
Provision for Income Taxes	-	-	-
Net Loss	$ (498,201)	$ (802,900)	$ (924,747)
Loss Per Share	$(.039)	$(.069)	$(.088)
Weighted Average Number of Shares Outstanding	12,727,022	11,608,843	10,451,418

</TABLE>

See Accompanying Notes to Financial Statements

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

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

Sale of Shares on August 30, 1996	2.00	500,000	1,500	998,500	-	1,000,000
Expenses Related to Offering	-	-	-	(686,251)	-	(686,251)
Issuance of Warrants	-	-	-	12,750	-	12,750
Net Loss	-	-	-	-	(121,847)	(121,847
Balance - August 31, 1996		9,931,767	29,795	4,518,507	(121,847)	4,426,455
Sale of Shares on September 12, 1996	2.00	50,000	150	99,850	-	100,000
Sale of Shares on September 16, 1996	2.00	80,250	241	160,259	-	160,500
Conversion of Debt	2.00	105,000	315	209,685	-	210,000
Sale of Shares on October 30, 1996	2.25	457,777	1,373	1,028,627	-	1,030,000
Issuance of Warrants	-	-	-	6,450	-	6,450
Sale of Shares on December 6, 1996	2.25	475,499	1,426	1,068,448	-	1,069,874
Sale of Shares on December 9, 1996	2.50	400,000	1,200	998,800	-	1,000,000
Sale of Shares on December 11, 1996	2.25	22,222	67	49,933	-	50,000
Sale of Shares on December 19, 1996	2.50	200,000	600	499,400	-	500,000
Sale of Shares on December 20, 1996	2.50	220,000	660	549,340	-	550,000
Sale of Shares on February 28, 1997	4.25*	352,947	1,059	1,498,967	-	1,500,026
Sale of Shares on March 4, 1997	4.25*	352,947	1,059	1,498,966		1,500,025
Sale of Shares on May 22, 1997	3.00	535,000	1,605	1,603,395		1,605,000
Issuance of Shares to Adjust Prices of Shares Sold on February 28 and March 4	-*	294,124	883	(883)		-
Expenses Related to Offering	-	-	-	(955,505)	-	(955,505)
Net Loss	-	-	-	-	(802,900)	(802,900)
Balance - May 31, 1997		13,477,533	$ 40,433	$12,834,239	$ (924,747)	$11,949,925

</TABLE>

All of the sales of shares indicated above were made pursuant to private placement transactions.

* Additional shares were issued to the purchasers of the shares sold on February 28, 1997 and March 4, 1997 pursuant to the terms of those sales - see Note 6(4).

See Accompanying Notes to Financial Statements.

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

<TABLE>
<CAPTION>

	For the Nine Months Ended May 31, 1997	Cumulative from Date of Inception
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (802,900)	$ (924,747)

Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation	6,065	9,668
Compensation Paid in Common Stock	-	30,000
(Increase) in Prepaid Expenses and Other Current Assets	(74,900)	(79,700)
Increase in Security Deposit	-	(500)
(Decrease) Increase in Accounts Payable and Accrued Expenses	143,927	436,831
(Decrease) in Advance from Officers	(961)	-
NET CASH USED BY OPERATING ACTIVITIES	(728,769)	(528,448)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Furniture, Fixtures and Equipment	(10,500)	(60,943)
Investment in 3-D Exploration Program	(6,000,000)	(10,000,000)
NET CASH USED BY INVESTING ACTIVITIES	(6,010,500)	(10,060,943)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of Loan	-	425,000
Repayment of Loan	(215,000)	(215,000)
Sale of Common Stock	9,065,425	14,257,228
Issuance of Warrants	6,450	19,200
Offering Costs	(955,505)	(1,641,756)
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,901,370	12,844,672
NET INCREASE IN CASH	1,162,101	2,255,281
CASH-BEGINNING OF YEAR	1,093,180	-
CASH-MAY 31, 1997	$ 2,255,281	$ 2,255,281
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Interest	$ 15,635	$ 15,635
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.

CHENIERE ENERGY, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 1997

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) 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 periods' presentation.

For further information refer to the financial statements and footnotes included in the Registrant's Annual Report on Form 10-K, as amended, for the period ending 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 Inc. (the "Company" or "Cheniere") and its 100%

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

On July 3, 1996, Cheniere, formerly Bexy Communications, Inc. ("Bexy") acquired all of the outstanding capital stock of Cheniere Operating. For accounting purposes, this acquisition has been treated as a recapitalization of Cheniere Operating.

The financial statements presented include only the accounts of Cheniere and its subsidiaries since Cheniere Operating's inception (February 21, 1996). While Cheniere Operating did obtain a presence in the public market through the recapitalization, it did not succeed to the business or assets of Bexy. For this reason, the value of the shares issued to the former Bexy shareholders has been deemed to be de minimus and, accordingly, no value has been assigned to those shares.

The Company is currently a development stage enterprise under the provisions of SFAS No. 7. The Company's future business will be in the field of oil and gas exploration and exploitation.

2) Loss Per Share

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

3) Offering Costs

Offering costs consist primarily of placement fees, professional fees and printing costs. These costs are charged against the proceeds of the sale of common stock in the periods in which they occur.

NOTE 2 INCORPORATION OF SUBSIDIARY

On December 19, 1996, Cheniere California was incorporated. Cheniere California is a 100% owned subsidiary of the Company.

NOTE 3 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 exercise price was determined at a 100% premium to the sale price of Cheniere Operating Stock by private placement during May, 1996. The June Warrants were originally issued by Cheniere Operating and were converted to warrants of Cheniere following the Reorganization. The June Warrants were issued to a group of 11 investors in connection with a private placement of unsecured promissory notes. Pursuant to APB 14, the warrants issued have been valued at the differential rate between the initial interest rate (8%) and the estimated market rate (20%), applied to the principal balance. This value, $12,750, has been credited to additional paid-in capital.

Effective September 14, 1996, the Company had not paid all amounts due and payable under certain promissory notes by the Maturity Date thereof. Certain of the noteholders converted their notes into 105,000 shares of Common Stock. An individual noteholder purchased the promissory notes of the remaining noteholders. As per the terms of the notes, the holder was entitled to receive up to an aggregate of 21,500 additional warrants for each month, or partial month, any amounts that remained due and payable after September 14, 1996, up to a maximum aggregate number of 86,000 such additional warrants. These notes were repaid on December 14, 1996 and, upon repayment, the Company issued 64,500 warrants in accordance with the relevant loan agreement. The terms of the warrants were similar to the June Warrants. Pursuant to APB 14, these additional warrants will be valued at the differential rate between the interest rate charged (13%) and the then estimated market rate (25%), applied to the principal balance for each month outstanding after September 14, 1996. This value, $6,450, has been credited to additional paid-in capital.

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). The exercise price represents the approximate market price of the underlying Common Stock at the time of the transaction.

In connection with the July and August 1996 placement of 508,400 shares of Common Stock, the Company issued 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). The exercise price represents the approximate market price of the underlying Common Stock at the time of the transaction.

In late August 1996, the Company sold 100,000 units, each such unit consisting of five 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 exercise price represents the approximate market price of the underlying Common Stock at the time of the transaction.

The Warrants do not confer upon the holders thereof any voting or other rights

NOTE 4 STOCK OPTIONS

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

1) 75,000 qualified options vest and become exercisable on June 1, 1997 and expire June 1, 2001.

2) 75,000 qualified options vest and become exercisable on June 1, 1998 and expire June 1, 2001.

3) 150,000 qualified 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 qualified 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.

Also, the Company had granted qualified options to an employee at an exercise price of $3.00 per share. These options were to vest and become exercisable in equal installments of 25% each on the first through fourth anniversary of January 23, 1997 and expire January 23, 2002. This employee left the company in May 1997 and these options have been canceled.

The disclosure provisions of SFAS No. 123 do not have a material effect on the financial statements.

NOTE 5 COMMON STOCK RESERVED

The Company has reserved 386,666 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 issuance upon the exercise of outstanding options.

NOTE 6 COMMITMENTS AND CONTINGENCIES

1) The Company subleases its Houston, Texas headquarters under a month-to-month sublease.

2) On December 20, 1996, Cheniere California 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.

During May, 1997 Cheniere California and Poseidon mutually agreed to terminate the Purchase and Sale Agreement pursuant to the terms thereof and that, upon termination, neither party thereto shall have any liability thereunder. The Company has expensed $164,812 in professional fees relating to this agreement.

3) As of May 31, 1997, the Company has an investment of $10,000,000 in a joint exploration program. Under the terms of the joint exploration program, the Company is required to make additional monthly payments aggregating, at least, approximately $3.5 million, which is due in two payments: $2 million on May 22, 1997 and $1.5 million on June 21, 1997. A thirty day grace period applies to each payment. The Company's potential participation in the joint exploration program could be significantly reduced in the event of a failure by the Company to make such required monthly payments when due. The May 22 payment has not been made as of May 31, 1997 (but as indicated in Note 7 - Subsequent Events, the $2 million payment was subsequently made on June 2, 1997).

4) On March 4, 1997 the Company issued 352,947 shares of Common Stock to offshore investors pursuant to Regulation S ("Regulation S") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), at a price of $4.25 per share, for net proceeds of $1,353,800. With respect to these shares of Common Stock, as well as 352,947 shares of Common Stock issued to offshore investors pursuant to Regulation S on February 28, 1997 at a price of $4.25 per share, the Company agreed that if, during the 270 day period following the dates of purchase of these shares, the Company offers and sells any shares of Common Stock for a per share gross sales price lower than the per share price paid for these shares, the Company would issue additional shares of Common Stock to investors that bought shares to reflect the lowest per share gross sales price at which shares were offered and sold during the period.

On May 22, 1997, the Company issued 535,000 shares of Common Stock, at a sale price of $3.00 per share to "accredited investors" (as defined in Rule 501(a) promulgated under the Securities Act) pursuant to Rule 506 of Regulation D ("Regulation D") promulgated under the Securities Act, and received net proceeds of $1,485,000 from such sale. As a consequence of the private placement of Common Stock at a price of $3.00 per share, the Company has issued an aggregate of 294,124 additional shares of Common Stock to investors that bought shares on February 28, 1997 and March 4, 1997 pursuant to Regulation S, consistent with the terms of these sales as outlined above.

NOTE 7 SUBSEQUENT EVENTS

1) Subsequent to the balance sheet date, the Company made the required May 22 installment to the Joint Exploration Program. This amount, $2 million, was paid on June 2, 1997.

2) During June 1997, the Company issued 33,333 shares of Common Stock to an accredited investor pursuant to Regulation D, at a sale price of $3.00 per share, and received net proceeds of $100,000 from such sale.

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

The Company is currently a development stage company under the provisions of SFAS No. 7. As such, the Company's accompanying financial statements and notes thereto relate to the three and nine month periods ended May 31, 1997 and the period from inception (February 21, 1996) to May 31, 1997. These statements and notes thereto and the consolidated financial statements included in the Company's Annual Report on Form 10-K, as amended, for the period 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.

3-D SEISMIC EXPLORATION PROGRAM. The Company made two payments totaling $2.9 million during the quarter, and a third payment of $2.0 million on June 2, 1997 to Zydeco Exploration, Inc. to raise its investment in the two companies' 3-D seismic exploration program in southern Louisiana (the "3-D Exploration Program") to $12.0 million. Cheniere has a remaining commitment of at least $1.5 million, which was due on June 21, 1997. That payment, which has a thirty-day grace period, has not yet been paid.

Subsequent to May 31, 1997, the Company announced that it had completed the data acquisition phase of its 3-D Exploration Program and had retained INEXS (Interactive Exploration Solutions, Inc.) as a seismic interpretation consultant, to complement Zydeco's interpretation effort relating to the seismic data.

PRIVATE PLACEMENT OF COMMON SHARES. On March 4, the Company issued 352,947 shares of Common Stock to offshore investors pursuant to Regulation S at a price of $4.25 per share, for net proceeds of $1,353,800. With respect to these shares of Common Stock, as well as 352,947 shares of Common Stock issued to offshore investors pursuant to Regulation S on February 28, 1997 at a price of $4.25 per share, the Company agreed that if, during the 270 day period following the dates of purchase of these shares, the Company offers and sells any shares of Common Stock for a per share gross sales price lower than the per share price paid for these shares, the Company would issue additional shares of Common Stock to investors that bought shares to reflect the lowest per share gross sales price at which shares were offered and sold during the period.

On May 22, 1997, the Company issued 535,000 shares of Common Stock, at a sale price of $3.00 per share to accredited investors pursuant to Regulation D, and received net proceeds of $1,485,000 from such sale. As a consequence of the private placement of Common Stock at a price of $3.00 per share, the Company has issued an aggregate of 294,124 additional shares of Common Stock to investors that bought shares on February 28, 1997 and March 4, 1997, pursuant to Regulation S, consistent with the terms of these sales.

During June 1997, the Company issued 33,333 shares of Common Stock to an accredited investor pursuant to Regulation D, at a sale price of $3.00 per share, and received net proceeds of $100,000 from such sale.

The proceeds of the sales of Common Stock will be used to fund payments to the 3-D Exploration Program and for general corporate purposes.

CHENIERE ENERGY CALIFORNIA, INC.; TERMINATION OF PURCHASE AND SALE AGREEMENT. On December 20, 1996, Cheniere Energy California, Inc. ("Cheniere California"), a wholly-owned direct 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 (OCF) off Santa Barbara County, California.

During May 1997, Cheniere California and Poseidon mutually agreed to terminate the Purchase and Sale Agreement pursuant to the terms thereof and that, upon termination, neither party shall have any liability thereunder. The Company has expensed $164,812 in professional fees relating to this agreement.

RESULTS OF OPERATIONS; THREE MONTHS ENDED MARCH 31, 1997. The Company's operating results for the three months ended May 31, 1997 reflect a loss of $498,201, or $0.039 per share, as there were no operating revenues. General and administrative expenses of $364,696 included an unusually high amount of legal expense, related in part to the process of becoming listed on the Nasdaq

SmallCap Market, in addition to the usual expenses of salary, occupancy, office expense and insurance. In connection with the termination of a Purchase and Sale Agreement by Cheniere Energy California, Inc. during May 1997, the Company expensed $164,812 of professional expenses relating to that agreement. Expenses were partially offset by interest income of $31,307, which was generated on the Company's cash balances.

RESULTS OF OPERATIONS; NINE MONTHS ENDED MAY 31, 1997. The Company's operating results for the nine months ended May 31, 1997 reflect a loss of $802,900, or $0.069 per share, as there were no operating revenues. General and administrative expenses of $676,389 included an unusually high amount of legal expense during the most recent three months, related in part to the process of becoming listed on the Nasdaq SmallCap Market. In connection with the termination of a Purchase and Sale Agreement by Cheniere Energy California, Inc., the Company expensed $164,812 of professional expenses relating to that agreement. Interest expense of $15,002 was incurred with respect to a short term promissory note that was repaid on December 14, 1996 and to the issuance of certain warrants during the period. Expenses were partially offset by interest income of $53,303 which was generated on the Company's cash balances.

RESULTS OF OPERATIONS; PERIOD FROM INCEPTION (FEBRUARY 21, 1996) TO MAY 31, 1997. The Company's operating results for the period from inception (February 21, 1996) to May 31, 1997 reflect a loss of $924,747, or $0.088 per share, as there were no operating revenues. General and administrative expenses of $780,203 included an unusually high amount of legal expense during the most recent three months, related in part to the process of becoming listed on the Nasdaq SmallCap Market. In connection with the termination of a Purchase and Sale Agreement by Cheniere Energy California, Inc., the Company expensed $164,812 of professional expenses relating to that agreement. Interest expense of $34,835 was incurred with respect to a short term promissory note that was repaid on December 14, 1996 and to the issuance of certain warrants during the period. Expenses were partially offset by interest income of $55,103 which was generated on the Company's cash balances.

LIQUIDITY AND CAPITAL RESOURCES. At May 31, 1997, total assets were $12,386,746 compared to $5,145,310 at August 31, 1996. The increase is due primarily to an increase to additional paid-in capital of $8,315,732 from the sale of Common Stock. Current assets increased to $2,234,981 from $1,097,980 during the same period. Current liabilities decreased to $436,821 from $718,855. The Company has no long term liabilities. Other assets reflect an increase in investment to $10.0 million from $4.0 million in the 3-D Exploration Program. This increase was funded primarily from equity proceeds and cash balances.

On June 2, 1997, the Company funded an additional $2,000,000 investment in the 3-D Exploration Program, bringing its total investment to $12,000,000.

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.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

PRIVATE PLACEMENT OF COMMON SHARES. On March 4, 1997 the Company issued 352,947 shares of Common Stock, to offshore investors pursuant to Regulation S at a price of $4.25 per share, for net proceeds of $1,353,800. With respect to these shares of Common Stock, as well as 352,947 shares of Common Stock issued to offshore investors pursuant to Regulation S on February 28, 1997 at a price of $4.25 per share, the Company agreed that if, during the 270 day period following the dates of purchase of these shares, the Company offers and sells any shares of Common Stock for a per share gross sales price lower than the per share price paid for these shares, the Company would issue additional shares of Common Stock to investors that bought shares to reflect the lowest per share gross sales price at which shares were offered and sold during the period.

On May 22, 1997, the Company issued 535,000 shares of Common Stock, at a sale price of $3.00 per share and received net proceeds of $1,485,000 from such sale. As a consequence of the private placement of Common Stock at a price of $3.00 per share to accredited investors pursuant to Regulation D, the Company has issued an aggregate of 294,124 additional shares of Common Stock to investors that bought shares on February 28, 1997 and March 4, 1997 pursuant to Regulation S, consistent with the terms of these sales as outlined above.

During June 1997, the Company issued 33,333 shares of Common Stock, to an accredited investor pursuant to Regulation D, at a sale price of $3.00 per share, and received net proceeds of $100,000 from such sale.

ITEM 5. OTHER INFORMATION

FILING OF AMENDED REPORT ON FORM 10-K AND REPORTS ON FORM 10-Q. Subsequent to the period ended May 31, 1997, the Company filed a Report on Form 10-K/A for the period ended August 31, 1996, and Reports on Form 10-Q/A for the periods ended November 30, 1996 and February 28, 1997.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

27.1 --Financial Data Schedule

(b) A report on Form 8-K was filed on May 23, 1997 relating to the termination of a Purchase and Sale Agreement to acquire an interest in the Bonito Unit of the Pacific Outer Continental Shelf offshore Santa Barbara County, California.

A report on Form 8-K/A was filed on June 23, 1997 relating to amended Financial Statements for the period ended December 31, 1996.

A report on Form 8-K was filed on June 9, 1997 relating to a change in the Registrant's Certifying Accountant.

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/ KEITH F. CARNEY

Keith F. Carney
Chief Financial Officer and
Authorized Signatory

Date: July 15, 1997

<TABLE> <S> <C>

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 10-Q FOR PERIOD ENDED MAY 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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