

LNG CHANNEL

Issue 5 – November 2008



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MAKING HISTORY IN CAMERON PARISH

2008 has been a year of milestones and challenges for Cheniere Energy. Construction of phase one of our Sabine Pass LNG facility was completed. We received our first three LNG cargoes, tested our terminal against the force of Hurricane Ike, and now prepare for the LNG market to return to the shores of North America.

The completion of phase one of Sabine Pass LNG represented the first new onshore LNG import terminal to be constructed in the US in nearly 30 years. This historic achievement was commemorated with a celebration at the Sabine Pass facility on April 21, 2008. Energy Secretary Bodman honored the event by giving the key note address. Senator Vitter, Congressman Boustany, State Representative Perry, Secretary of DNR Angelle, Police Juryman Farque and representatives from FERC and the USCG also praised Sabine Pass LNG and Cameron Parish during the opening ceremony. Our board members, investors, consultants, state and local dignitaries and the press enjoyed a day at the site

including Marilyn’s exceptional lunch and a tour of the control room.

We couldn’t agree more with Mr. Farque when he said, “Sabine Pass LNG is not just a Cheniere facility, it is a Cameron Parish plant.”

The first LNG vessel to arrive at the terminal, the CELESTINE RIVER, sailed from Nigeria, taking approximately 10 days to transit the Atlantic into the Gulf of Mexico. The dramatic moss sphere containment style vessel floated majestically in the berth on the opening day, having unloaded part of her cargo prior to the ceremony. Cameron Parish made a mark in history again the day we received our second cargo. On June 22, the AL GHARRAFA, the first Q-Flex size LNG vessel ever to call on a US port, berthed at Sabine Pass LNG, ushering in an exciting era of larger vessels for LNG transport.

During the third quarter, Cheniere secured \$395 million of new financing to complete the next phase of our business plan - to purchase LNG and offer terminal

and pipeline services to additional customers.

Over the course of the next 12 to 18 months, there will be a nearly 30 percent increase in worldwide liquefaction capacity. We are proud to be ready to receive some of this new global LNG production.

Together, through teamwork, dedication and perseverance, these 2008 milestones that were mere dreams a few years ago are now a reality. We offer our sincere thanks to the community and our friends for supporting Cheniere through these years of construction. Now, as the community struggles with the challenges presented by recovering from Hurricane Ike, Cheniere pledges our continued support.

Keith Teague
President
Sabine Pass LNG

Protecting Our Natural Resources

Sabine Pass Wetlands

Wetlands are areas that have an abundance of water at a frequency and duration to support vegetation typically adapted for life in saturated soil conditions. Wetland habitats are important as estuaries (nurseries), allowing many aquatic species to spend their juvenile life stages in these protected areas. Wetland communities are high in nutrients and provide a variety of wet conditions ranging from areas that are wet all the time, to areas that are only wet for a part of the year. Wetlands and their estuaries provide important habitats for a variety of wildlife including turtles, frogs, snakes, alligators, waterfowl, fish, and invertebrates. In Louisiana, we know them as the places where we fish, crab, hunt, and bird-watch.

In addition to providing important habitat for wildlife and plant species, wetlands can actually improve the water quality and contain floodwaters. Water that enters wetlands either through rainfall or tidal flow is slowly filtered by the plants and soils that absorb excess nutrients, sediment, and other pollutants before they either recharge the underground aquifers or run slowly off into lakes and bays. The plant roots hold on to the sediment and prevent soil runoff, thus improving the water quality in the area. When rivers overflow, wetlands help to absorb and slow floodwaters.

Cheniere believes strongly in promoting environmental stewardship throughout its projects and recognizes the importance of wetlands as a vital habitat. Cheniere worked to design and create over 70 acres of tidally influenced marsh south of its Sabine Pass LNG Terminal. Channels and ponds were constructed within the wetland to connect to Lighthouse Cove and the Sabine Neches Waterway. These connections allow for tidal exchange and the development of spawning areas for marine species such as crabs, shrimp, flounder, redfish and speckled sea trout. The area also provides unique tidal flats that are utilized by a variety of wildlife such as ducks and geese, shorebirds, alligators, snakes, and mammals. Ultimately, the enhancement of this system will increase the overall productivity and wildlife attraction.

The implementation of this tidal wetland has been well received by the regulatory agencies and the community, and the design is being hailed as "one of the best designed wetlands". Cheniere did not do this alone. We would like to thank the landowner, the regulatory agencies, design engineers, contractors, and the public for its support of the Sabine Pass LNG terminal and the continued success of this wetland.



Tidal wetland mitigation area north of the historic Sabine Pass Lighthouse

Hurricane Preparedness Plan

Ike Hits the Gulf Coast

Historically, over 97% of tropical activity has occurred between June 1 and November 30, the period commonly referred to as "Hurricane Season". The importance of hurricane preparedness was driven home when Hurricane Ike affected the Sabine Pass LNG Terminal, Cameron Parish, and our corporate office in Houston.

At Cheniere, a written Hurricane Preparedness Plan is used to ensure that the company, its contractors and employees, both in Louisiana and in Texas, are adequately prepared for a hurricane long before a named tropical storm enters the Gulf of Mexico. The company monitors weather throughout the year, with heightened attention during hurricane season.

As part of the preparation for Hurricane Ike, Cheniere was in constant communication with state and local jurisdictions to coordinate the safe evacuation of employees and their families. The agencies' efficient responses along with their professionalism and dedication made the evacuation process safe and timely.

These same agencies provided exceptional service in the aftermath of Hurricane Ike. The Sabine Neches waterway was deemed available for transit in record time. Our tugs' crews fed and housed the US Coast Guard and Sabine Pass LNG personnel as well as provided support and personnel to help return the terminal to full operation once the storm passed. Thank you all for your extraordinary dedication.

Did you know?
The US consumed **63 Billion** cubic feet per day of natural gas in 2007, of which 16% was imported via pipelines from Canada and 3% as LNG from countries such as Algeria, Egypt and Nigeria.
Source: Energy Information Administration



Over 300,000 smooth cordgrass planted in the tidal mitigation area

Bringing in an LNG Vessel

It Takes a Team

As the Sabine Pass LNG terminal moved from construction into operation, one of the areas that came to the forefront was the complexity of bringing an LNG vessel into the berth. A ship transit involves many organizations including the local USCG security and marine safety units, the USCG's Vessel Traffic Service, US Customs & Border Protection, the Sabine Pilots' dispatchers, pilot boats and pilots, Edison Chouest Tugs, Jefferson and Cameron Sheriff's departments, ship agents, the LNG carrier's own fleet operations support team, mooring line handlers, the importing party, Cheniere's Marine and LNG Operations and Commercial Operations. Other agencies are also critical in maintaining an operational shipping channel, including the US Army Corps of Engineers, NOAA, and the Sabine Neches Navigation district that keep the ship channel dredged, charted, and operational. Because of all the moving parts, planning, communication and coordination are vital. It takes a dedicated team to make it all come together.

The planning and coordination effort began over two years ago with the development and implementation of a ship simulation program for those handling these behemoth ships – some of which can be up to four football fields in length, over a half of a football field in breadth and 16 stories high. The simulation program includes numerous practice runs and maneuvers of LNG vessels in and around the Sabine Pass LNG marine berth by all of the ship pilots and tug captains using the Maritime Institute of Training and Graduate Studies (MITAGS) full-mission bridge simulators for very realistic maneuvering exercises. These simulations not only familiarized those parties responsible with safely bringing in the ships, but also verified the operational interactions between various weather and currents conditions and dynamics of the berth, tugs and ships. Mock ship transit exercises were also conducted that integrated all security, commercial and operations functions.

In April 2008 the CELESTINE RIVER, carrying a cargo from Nigeria, was the first LNG vessel to call on Sabine Pass LNG, the first newly constructed US mainland LNG receiving terminal in nearly thirty years. Slow, deliberate progress led to a picture perfect mooring. The success of this operation was a result of the extensive preparation, commitment, and great work performance by all of the professionals involved with the ships, tugs, and supporting operations for our first ship call at Sabine Pass LNG.

This success was followed by another first when the AL GHARRAFA, belonging to a new generation of even larger LNG ships with a capacity of approximately 216,000 cubic meters, reached Louisiana and the Sabine Pass Terminal from Qatar. Ahmed Al Khulaifi, COO of Qatargas's commercial and shipping division, said: "This is yet another significant milestone and industry first for Qatargas and its new fleet of vessels. It is the first time a Q-Flex has called at a terminal in the US and we look forward to being able to ship many more cargoes safely to the US in the future."

Only days later the TRINITY ARROW, with another cargo from Nigeria, was the third LNG vessel to reach the terminal and successfully unload. With each docking the communication and coordination between all of the various parties improved and became even smoother. Cheniere appreciates the opportunity to work with the professionals that keep the Sabine Neches waterway and our terminal's marine facilities maintained and functioning. To bring an LNG carrier into Sabine Pass LNG – it takes a very good team.



"Celestine River" sailed from Nigeria to bring the first cargo to the Sabine Pass LNG Terminal. (Moss sphere containment - 145,000 cm capacity)



"Al Gharrafa" which sailed from Qatar to be the first Q-Flex to bring a cargo to the U.S. (Membrane containment - 216,000 cm capacity)



"Trinity Arrow" sailed from Nigeria to bring the third cargo to the Sabine Pass LNG Terminal. (Membrane containment - 154,000 cm capacity)

PIPELINE SAFETY

How you can help!

While accidents pertaining to pipelines and pipeline facilities are very rare, awareness of the location of nearby pipelines, their potential hazards, and what to do if you see unauthorized activity, can help minimize the number of accidents. A leading cause of pipeline incidents is third-party excavation damage. Pipeline operators are responsible for the safety and security of their respective pipelines. To help maintain the integrity of pipelines and their rights-of-way, it is essential that pipeline and facility neighbors protect against unauthorized excavations or other destructive activities.

Here's what you can do to help:

Become familiar with the pipelines and pipeline facilities in the area (marker signs, fence signs at gated entrances, etc.).

Record the operator name, contact information and any pipeline information from nearby markers or facility signs and keep in a permanent location near the telephone.

Be aware of any unusual or suspicious activities or unauthorized excavations taking place within or near the pipeline right-of-way or pipeline facility; report any such activities to the pipeline operator and local law enforcement.

Know what's below before you dig:

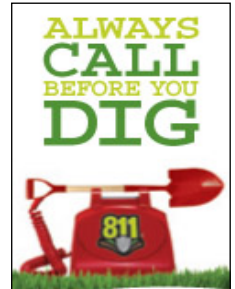
Never guess where a pipeline is located. If you are a farmer, rancher, or homeowner planning to dig on your property, follow these important steps:

Call before you dig. A free call to Louisiana One-Call Center at (800) 272-3020 or 811 at least 48 hours before starting any work is all it takes.

Wait the required amount of time. One of our trained technicians will mark the location of our pipeline at no cost to you.

Respect the marks. For your safety, always follow instructions given to you by our technicians.

Dig with care. If you accidentally damage or hit the Cheniere Pipeline, no matter how minor the contact may seem, call us immediately so we can assess the damage. 1 (877) 375-5002




**ALWAYS
CALL
BEFORE YOU
DIG**

One free, easy call gets your utility lines marked AND helps protect you from injury and expense.

**Safe Digging Is
No Accident:
Always Call 811
Before You Dig**

**Know what's
below. Always
call 811 before
you dig. Visit
call811.com
for more
information.**



Did you know?
One easy phone call
to 811 starts the process to get your
underground pipelines and utility
lines marked for **FREE**.



700 Milam Street, Suite 800
Houston, Texas 77002

Phone Numbers

Houston: 713.375.5000
Sabine Pass LNG: 337.569.7700