

THE JOSEPH PROJECT

MEGIDDO JEZREEL #1 WELL

Zion Oil & Gas is dedicated to exploring for oil and gas in Israel. We are 100% focused on our Megiddo-Jezreel License, a large area south and west of the Sea of Galilee.

The State of Israel has granted Zion the exclusive right to explore this ~99,000 acre area that appears to possess the key geologic ingredients of an active petroleum system with significant onshore exploration potential.

THE LONG ROAD TO WHERE WE ARE

Drilling for oil in Israel is a bureaucratic, complicated, expensive, and time-consuming process. It has taken several years and tremendous effort to get where we are today - on the verge of drilling our next deep exploration well.

Intermediate Tasks Accomplished:

- Conducted regional reconnaissance work (geology & geophysics), identifying and narrowing potential areas of interest.
- Developed leads and defined the area for which to apply for an exploration license.
- Awarded the Megiddo-Jezreel License in December 2013.
- Conducted detailed scientific study of license area, reprocessing older seismic data and acquiring new seismic data.
- Mapped prospect area in detail and submitted both Interpretation and Prospect Reports to the Energy Ministry.
- Prepared, presented, and obtained approval of our Israeli Environmental Impact Assessment (EIA) — including meetings with local and regional authorities and presenting the 200+ page EIA report to the Energy and Environmental Ministries.
- Contracted with Forrest Garb & Associates, an international petroleum engineering and geoscience consulting firm, to prepare an independent Resource Assessment Report of Gross Prospective Resources of Zion's prospect. This independent analysis affirms Zion's internal interpretation of four separate geological objectives with substantial reserves of original oil in place if a discovery is made.
- Ordered and received long lead-time items such as tubular goods, wellhead, liner hangers and cementing accessories, as well as drill bits. These items are currently in our storage yard, ready to deploy.
- Successfully negotiated a Land Surface Use Agreement with Kibbutz Sde Eliyahu, the kibbutz on whose land we plan to drill our upcoming well. In the agreement, which took almost a year to negotiate, the kibbutz allows us to use the land surface and agrees to not object to the use of the drilling pad location for oil and gas exploration.
- Obtained fully executed agreement with the Israel Land Authority (ILA), the formal lessor of the land to Kibbutz Sde Eliyahu, to access and utilize the 3.18-acre drill site for oil exploration.

DRILLING RIG STATUS

In early October of 2016, a drilling contract was executed by Zion and DAFLOG Ltd, an Israeli-registered related party entity to DAFORA S.A.

DAFORA is the largest drilling company in Romania and has drilled over 1,000 wells in Romania, Eastern Europe and East Africa. They are members of the International Association of Drilling Contractors (IADC) and have a strong commitment to “uncompromised safety performance” in Operational Health and Safety.

Their history of operational success was a key factor in selecting them to be Zion's drilling contractor. They also have experience working with top global operators that expect the highest degree of safety and operational performance excellence as highlighted by the fact that they were under a multi-year contract with Chevron to drill multiple gas wells in Romania.

Zion will use DAFORA's F-400 drilling rig which has a 3,000 HP capacity drawworks capable of drilling to over 20,000 ft. This provides sufficient horsepower and safety factor to drill our planned well with a target depth of up to 15,000 ft.

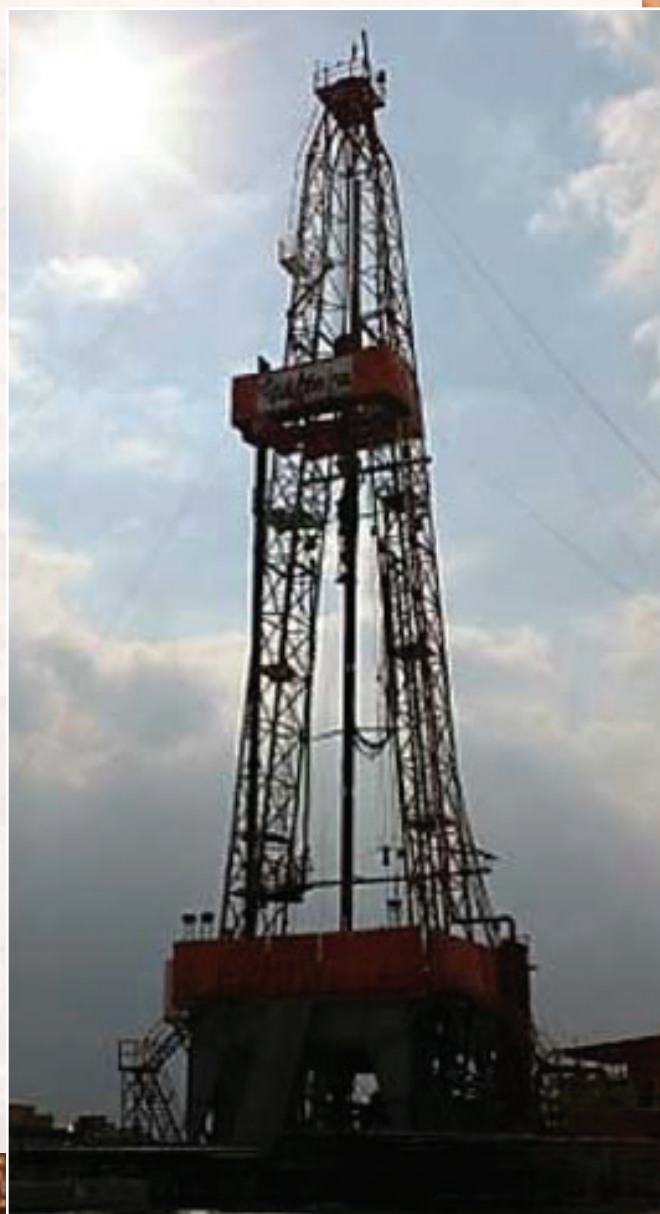
The DAFORA rig, currently stored in Israel, has a successful operating history in Israel, having drilled a 15,600 ft. deep well for Givot Olam in their Meged Oilfield in 2014. Eliminating the need to import a rig into Israel from either the U.S. or Europe represents substantial time and cost savings.

Currently reviewing responses to a comprehensive bid proposal package received from various contractors to begin drill site construction. Upon selection of the construction contractor, the site is expected take 45-60 days to complete.

In addition to raising additional funding with which to fully fund our first well, we must still:

- Complete construction of the drill site
- Obtain a final drilling permit
- Receive work visa permits for Romanian rig workers
- Move the rig onsite, rig up and test the rig
- Spud and drill well to total depth of ~ 15,000 ft.

Depending on the results of the planned exploratory well and subject to adequate cash resources, multiple wells could be drilled from this pad site, as several subsurface geologic targets can be reached using directional trajectories for subsequent wells.



Dafora's F-400 rig will drill the Megiddo-Jezreel #1 well.