

ZION OIL & GAS INC
Form FWP
June 03, 2010

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Rights Offering Booklet

This booklet contains:

- (i) a letter to you concerning Zion's US\$ 50 million Rights Offering, and
- (ii) a report from The United States Geological Survey: "Assessment of Undiscovered Oil and Gas Resources of the Levant Basin Province, Eastern Mediterranean" estimating that a mean of 1.7 BILLION barrels of recoverable oil and 122 TRILLION cubic feet of recoverable gas remain undiscovered in the Levant Basin.

May 2010

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Dear Zion Stockholder...

ZION'S RIGHTS OFFERING HAS STARTED

Together with this booklet, please find enclosed documentation relating to Zion's rights offering, including the offering Prospectus Supplement dated April 28, 2010. In this booklet, you will find a copy of the very recently released United States Geological Survey (USGS) report covering the Levant Basin, as Zion's exploration areas fall completely within that area.

Zion's rights offering gives you the right (but not the obligation) to purchase more Zion stock at US\$ 5.00 per share, irrespective of the market price of Zion stock during the offering period. Your rights must be exercised by 5:00 p.m. (New York time) on June 30, 2010; after that time, your rights under this offer will terminate without value.

Under the terms of the offering (as described more fully in the enclosed Prospectus), you have the right to purchase one (1) share of stock for every two (2) shares of common stock owned on May 6, 2010 (the Record Date). That is identical to one-half (0.50) of a subscription right for each share of common stock owned on the record date. Each whole subscription right entitles you to purchase one share of stock at US\$ 5.00 per share.

Please note that, 'over-subscriptions' are allowed. The over-subscription right allows shareholders who are exercising all of their basic subscription rights an opportunity to purchase the shares that are not being purchased by other shareholders. If an insufficient number of shares are available to fully satisfy all properly executed over-subscription right requests, as happened in both of our previous rights offerings, the available shares will be distributed proportionately among rights holders who exercise their over-subscription right based on the number of shares each rights holder subscribed for under the basic subscription right.

In addition, if an insufficient number of shares of common stock are available to fully satisfy all properly exercised oversubscriptions rights requests, we may (but are under no obligation to do so), increase the number of shares of common stock available for issuance in this rights offering by up to an additional 625,301 shares of common stock in order to satisfy additional properly exercised oversubscription requests.

Please also note that all subscriptions, including oversubscriptions, take place during the same time period. There will NOT be a subsequent time for you to "oversubscribe" after the initial subscription period, so please be sure to include all the shares for which you want to subscribe in your initial subscription.

In this rights offering, Zion plans to raise up to US\$ 50 million. The funds raised will be used: (a) to purchase a 51% interest in a new company (Zion Drilling, Inc. that will own a 2,000 horsepower drilling rig), (b) to drill further 'deep' exploration wells on Zion's licenses in Israel (in continuation of Zion's oil and gas exploration efforts) and (c) for general corporate purposes.

Please review the enclosed material and consider taking this opportunity to increase your holding in Zion Oil and Gas stock.

This offering marks the 10th anniversary of the founding of Zion Oil and Gas. During the past ten years we have worked hard to put together a professional team using petroleum industry best-practice techniques in order to discover oil and gas onshore Israel.

In 2009, a significant natural gas discovery offshore Israel was announced. Very recently, in April 2010, the United States Geological Survey (USGS) released a report on the 'Levant Basin' and indicated that there are still massive undiscovered amounts of oil and gas in the Levant Basin. As you can read, they estimate a mean of 1.7 BILLION barrels of recoverable oil and 122 TRILLION cubic feet of recoverable gas still remain undiscovered in the Levant Basin.

As all of Zion's exploration areas fall within the Levant Basin, we are optimistic that the day draws near when we will achieve success with our exploration efforts to find and recover oil and/or gas onshore Israel and our decade of hard work will bear fruit for Zion's stockholders.

Please consider this opportunity carefully, as your support is vital to Zion's work in Israel.

In anticipation, thank you for your support!

“But who am I, and what is my people, that we should be able to offer so willingly after this sort? For all things come of thee, and of thine own have we given thee.”

1 Chronicles 29:14

"In your good pleasure, make Zion prosper..."

Psalm 51:18

Shalom from Israel

Richard Rinberg

CEO of Zion Oil & Gas, Inc.

www.zionoil.com

FORWARD LOOKING STATEMENTS: Statements in this communication that are not historical fact, including statements regarding Zion's planned operations, geophysical and geological data and interpretation, anticipated attributes of geological strata being drilled, drilling efforts and locations, the presence or recoverability of hydrocarbons, the sufficiency of cash reserves, ability to raise additional capital, the successful establishment of the drilling subsidiary and the negotiation and execution of definitive agreements with the rig owners, timing and potential results thereof and plans contingent thereon are forward-looking statements as defined in the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward looking statements are based on assumptions that are subject to significant known and unknown risks, uncertainties and other unpredictable factors, many of which are described in Zion's periodic reports filed with the SEC and are beyond Zion's control. These risks could cause Zion's actual performance to differ materially from the results predicted by these forward-looking statements. Zion can give no assurance that the expectations reflected in these statements will prove to be correct and assumes no responsibility to update these statements.

NOTICE: Zion Oil & Gas, Inc. has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration

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statement and other documents the issuer has filed with the SEC for more complete information about Zion Oil & Gas and its offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, Zion Oil & Gas will send you the prospectus if you request it by calling toll free 1-888-TX1-ZION (1-888-891-9466).
