

NEWS IN BRIEF

Zion signs up drilling contractor

Zion Oil & Gas, Inc. of Dallas, Texas and Caesarea, Israel announced today that on June 18, 2008, it signed a memorandum of understanding with Aladdin Middle East Ltd (AME) confirming both parties intent to sign a drilling contract no later than July 31st, 2008, to drill Zion's planned Ma'anit-Rehoboth #2 well and other wells in Israel, in accordance with Zion's business plan.

AME is currently refurbishing and updating one of their 2,000 horsepower rigs, in order to be able to drill Zion's wells 'directionally' to below 18,000 feet. The parties intend to sign the definitive drilling contract when the drilling rig nears completion. It is anticipated that the rig will arrive in Israel in September 2008.

Glen Perry, Zion's President and Chief Operating Officer, commented today, "I am confident that our relationship with AME will enable Zion to drill our wells both efficiently and successfully to the planned target depths. Especially as, quite recently, AME successfully drilled a 20,000 foot well in Bulgaria with one of their 2,000 horsepower rigs." AME is an independent oil and gas exploration and production company, incorporated in Delaware, with offices in Wichita, Kansas and operational headquarters in Ankara, Turkey. It is the largest non-governmental operator in Turkey and holds over 3,000,000 acres of onshore exploration licences in Turkey. AME has drilled more than 130 exploration and development wells in Turkey, Egypt and Bulgaria for major oil companies, including Exxon Mobil Corp., Wintershall Holding AG and Neste Oil. Its rig inventory includes 11 drilling and workover rigs.

Zion Oil & Gas, a Delaware corporation, explores for oil and gas in Israel in areas located onshore between Tel-Aviv and Haifa. It currently holds two petroleum exploration licences, the Joseph and Asher-Menashe Licences, between

Netanya on the south and Haifa on the north covering a total of approximately 162,000 acres.

BUSINESS WIRE, June 19, 2008

Kuwait says oil over US\$100 is too high

Kuwait followed Saudi Arabia in saying crude oil prices are too high as evidence mounts that energy costs are restraining growth and accelerating inflation.

"I think it is high," Kuwait Finance Minister Mustafa Al-Shimali said in an interview in Isfahan, Iran. A reasonable oil price would be "more or less US\$100," he said.

Saudi Arabia, the world's largest oil exporter, has said the surging price of the commodity is "unjustified." The country will increase oil output by 200,000 bpd next month, King Abdullah told UN Secretary-General Ban Ki-Moon on June 15, according to a UN spokesman.

"I would like to see these prices go down and in parallel also have the price of goods we import go down," Kuwait's al-Shimali said.

Kuwait pumped 2.59 million bpd last month, according to Bloomberg estimates, trailing behind Saudi Arabia, Iran and the United Arab Emirates. Saudi Arabia said it will produce 9.7 million bpd next month, according to the UN's Ki-Moon. That represents a 450,000 barrel-a-day increase from the amount it pumped during May, according to Bloomberg estimates.

BLOOMBERG, June 17, 2008

Qatar, Shell sign China refinery, petchem deal

Qatar and Royal Dutch Shell, together with PetroChina, plan to build an oil refining and petrochemical complex in China, the companies said on Monday. Although it supplies less than one% of China's crude imports, the refinery and petrochemical venture represents Qatar's first foray into the massive Chinese oil market, following Middle East peers Saudi Arabia and Kuwait.

"This step will help draw up a road map for setting up economic bridges between Qatar and China and opens investment opportunities," Qatar's Oil Minister Abdulla Bin Hamad Al Attiyah said. The deal, signed on Monday, cements China's energy ties with Qatar, the world's top exporter of liquefied natural gas (LNG), just two months after the Asian giant agreed to buy from Qatar a total of five million tonnes per year (tpy) of LNG for 25 years.

It will also help usher in Shell after years of hard work trying to break into the tightly state-controlled Chinese fuel market.

The deal, signed in Doha during Chinese Vice President Xi Jinping's state visit, reaffirms analysts' views that Beijing's energy industry policy favours foreign partners with a combination of access to resources and top-notch technology.

"If an international major is hooked up with a resource player, the chances [to break into the Chinese market] will be much higher," said Yan Kefeng of Cambridge Energy Research Associates in Beijing.

But Monday's letter of intent did not give an investment figure, nor the location, scale or timeframe of the proposed multi-billion-dollar venture.

PetroChina, Asia's top oil and gas producer and China's second-largest refinery, will own 51% in the proposed joint venture, while Shell and Qatar will own 24.5% each, Shell and PetroChina parent CNPC said in separate statements. The deal also covers joint marketing of products, Shell said.

The partnership started with the gas link rather than oil, as Qatar is among the smallest producers in crude oil cartel OPEC but the world's largest exporter of LNG.

China is keen to boost use of gas, either via pipelines from Turkmenistan in central Asia or tanker-shipped LNG, from Algeria to Australia, to fuel its rapid economic growth while trying to cut down carbon emissions. ▶