



C&J Energy Services

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**C & J ENERGY SERVICES.**

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August 2, 2016

**RE: Update Pertaining to C&J's Chapter 11 Restructuring Process**

Dear Valued C&J Energy Services Customer,

As you may be aware, on July 20, 2016, C&J commenced a voluntary reorganization under Chapter 11 of the U. S. Bankruptcy Code, which will enable the Company to significantly strengthen its financial position through the protective forum of a court-supervised process, while continuing to operate its businesses in ordinary course without interruption. This Chapter 11 proceeding implements the terms of a Restructuring Support Agreement (as amended, the "RSA") that we entered on July 8, 2016 with the lenders under our credit facility, which calls for the complete deleveraging of the Company's balance sheet by converting all \$1.4 billion of debt outstanding into new common equity.

Our partnership with you is important to us, and we want to ensure you understand what this restructuring plan means for you, so set out below are some key points about what is going on at C&J:

- **C&J will continue to operate as usual.** This is a financial restructuring, not an operational one. We will continue our day-to-day operations in the normal course, providing safe, reliable, and efficient operations to all of our customers worldwide. We are committed to protecting our customers and ensuring none of our customer relationships are impaired as a result of the restructuring process.
- **C&J will continue to pay and retain our talented employee base.** Our employees are one of C&J's competitive advantages. They are critical to our continuing ability to operate and we value them highly. On July 21, 2016, the bankruptcy court approved a final wage and benefit motion allowing the Company to continue paying wages and providing benefits throughout the restructuring process, which means that employee compensation and benefit programs will not be impacted.

It is my privilege to tell you that during the first day hearing, the bankruptcy court judge stated on the record, ***"This Company doesn't exist without its employees. It is the single most important asset this Company has. I want these folks out being the best oilfield services company that C&J can possibly be..."*** I hope you find as much encouragement and inspiration from this strong statement as I did.

- **C&J will continue to pay its suppliers.** We enter this process with a sizable cash balance and access to additional financing. One of the key features of the restructuring plan is our commitment and ability to continue to pay our suppliers for post-petition goods and



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services in the normal course of business. We value the important relationships that we have with our vendors, and we intend to work closely with them throughout this process to help ensure we are able to continue operating our businesses in ordinary course without interruption.

- **C&J will use best efforts to move through the process as quickly as possible.** Recognizing that the pace of a court supervised process is not within our control, we are working proactively with our creditors to facilitate an outcome as expeditiously as possible. While we cannot estimate the amount of time the process will take, we will exercise our best efforts to move as quickly as the courts will allow.
- **C&J is here to stay.** In light of the challenging market conditions that are impacting C&J (as is the case with many of our peers in our industry), we believe that the Chapter 11 restructuring plan as contemplated by the RSA is the best course of action for C&J and our stakeholders. Our goal is to emerge from this process stronger and more competitive than ever, with a completely de-levered balance sheet and a sizable liquidity position. Success as a provider of well construction, well completion and well support services has always been tied to the success of our E&P partners. We continue to believe in our ability to provide “Excellence Delivered” in a safe and reliable manner to all our customers, now and for many years to come.

We know you will have additional questions during the process, and our intent is to be as open and transparent as possible. Please review the enclosed Frequently Asked Questions and other information included on the Restructuring page under the Investor Relations section of our corporate website at [www.cjenergy.com](http://www.cjenergy.com). If you have additional questions, please don’t hesitate to contact your regular C&J representative.

C&J’s management team has managed through difficult downturns in the past, and, with you, we eagerly await the eventual industry recovery. C&J remains ready and able to serve you with the best-in-class people and performance that you have come to expect from our organization.

We appreciate your support and look forward to continuing to provide you with Excellence Delivered for many years to come.

Sincerely,

Don Gawick  
President, Chief Executive Officer and Chief Operating Officer  
Member of the Board of Directors  
C&J Energy Services Ltd.



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## **FAQs:**

### *1. What is a Restructuring Support Agreement and what does that mean for C&J?*

- On July 8, 2016, we announced that C&J had entered into a Restructuring Support Agreement (“RSA”) with the Company’s secured lenders, which is a legal document that binds the lenders to certain specified terms of a restructuring transaction.
- The RSA provides for a court-supervised restructuring process, through a voluntary reorganization under Chapter 11 of the U. S. Bankruptcy Code, which will enable the Company to fully de-lever its balance sheet while continuing operations in the normal course.
- The RSA provides that we will be debt-free by converting ALL of our outstanding debt (approximately \$1.4 billion) into new common equity, and also ensures that we will have ample liquidity through the restructuring process and when we emerge at the completion of the Chapter 11 proceeding.
- It is important to understand that this is a financial restructuring and we do not expect it to impact the running of the business. Our day-to-day operations will continue in the normal course of business, and we expect to continue to have ample resources and remain fully capable of providing safe, reliable and efficient operations to all of our customers.
- The Company currently has and will maintain a sufficient cash balance throughout the restructuring process.
- We value the important relationships that we have developed with our stakeholders, and the restructuring will put C&J on solid financial footing, and allow the Company to be a strong partner for years to come.
- C&J’s Executive Management team is confident that the Chapter 11 restructuring plan as contemplated by the RSA is in the best interest of the Company’s stakeholders and will strongly position C&J for long-term success.

### *2. What is a Chapter 11 proceeding?*

- Chapter 11 is the section of the U.S. Bankruptcy Code that allows companies to implement financial restructurings through the protective forum of a court-supervised proceeding while continuing to operate their business in ordinary course.
- The Chapter 11 proceeding will not involve an interruption in our business, it does not mean we are going out of business, nor does it involve the liquidation of our assets or shuttering of our doors, but rather it does provide a protective forum for us to eliminate all of our debt and emerge a financially stronger organization.
- Many companies, such as General Motors and American Airlines, have utilized Chapter 11 to restructure their debt, without any disruption in business, and continued to grow and prosper as incredibly successful companies.



3. *Why did C&J take this action?*

- Our industry continues to operate in a difficult commodity price environment. Over the past eighteen months, we have responded proactively to the extremely challenging market conditions by aggressively cutting costs, right-sizing all of our businesses in-line with current market conditions, closing unprofitable facilities and focusing on operating in the safest and most efficient manner possible.
- We have also been working with our lending group on a comprehensive solution to de-lever our balance sheet, enhance our liquidity and generally strengthen our overall financial position.
- The Chapter 11 proceeding contemplated by the RSA represents a positive path forward in our efforts to strengthen the Company's balance sheet and to best position the Company for long-term success.
- The Chapter 11 proceeding will not involve an interruption in our business, it does not mean we are going out of business, nor does it involve the liquidation of our assets or shuttering of our doors, but rather it does provide a protective forum for us to eliminate all of our debt and emerge a financially stronger organization.
- We believe that the Chapter 11 restructuring plan as contemplated by the RSA is in the best interest of the Company's stakeholders and will strongly position C&J for long-term success.

4. *Does this bankruptcy case mean that C&J is shutting down or going out of business?*

- No, absolutely not. It is important to understand that this is a financial restructuring and our operations will continue in the normal course throughout this court-supervised process.
- A Chapter 11 bankruptcy case is NOT a liquidation of the Company.
- We believe C&J has sufficient liquidity from cash on hand and funds generated from operations, which together with debtor-in-possession financing that will be provided as part of the restructuring process, will allow us to continue our operations and support the business in the ordinary course through the restructuring process and upon emergence.
- The Company intends to continue its day-to-day operations in the normal course of business, providing safe, reliable and efficient operations to our customers worldwide.

5. *How will you ensure your unpaid vendors don't file a lien on my property?*

- This is a financial restructuring and our operations will continue in the normal course throughout this court-supervised process. We intend to continue meeting our obligations to all of our stakeholders, including vendor obligations, on a go-forward basis, in ordinary course (and according to terms of our current contracts, where applicable) and consistent with applicable court orders.



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- Under U.S. bankruptcy law, unpaid debts for goods and services provided to C&J prior to the filing date, also known as prepetition claims, generally cannot be paid without specific bankruptcy court approval. However, these prepetition claims will be addressed as part of the court-process and vendors will be provided with information on how to file a proof of claim with the bankruptcy court for any prepetition claims.
- As part of our initial Chapter 11 filing, we requested permission from the bankruptcy court to pay all amounts due to parties that have the ability to file liens against C&J or our customers.
- On July 21, 2016, the bankruptcy court approved a final mineral lien motion allowing the Company to pay claims involving a vendor that has the ability to impose liens against C&J or our customers.
- We are committed to protecting our customers from any unnecessary lien filings, and we intend to work closely with our vendors throughout this process. Any situations that arise will be given the highest priority and resolved immediately.
- C&J has engaged a claims agent – Donlin, Recano & Company, Inc. – for purposes of helping manage these claims. Proof of claim forms and other information about the claims process will be available at the following website:  
<http://www.donlinrecano.com/cjenergy>.

6. *How can I get updates and additional information?*

- We will continue to keep all stakeholders informed of new, relevant information as we move through the restructuring process.
- We have set up a Restructuring tab under the Investor Relations section of our corporate website, [www.cjenergy.com](http://www.cjenergy.com), as an easily accessible avenue to provide additional information.
- In addition, our claims agent – Donlin, Recano & Company, Inc. – has set up a website that includes free access to court documents and other information on the restructuring process at <http://www.donlinrecano.com/cjenergy>.
- We have also established a toll-free information hotline at (866) 296-8019 (U.S.) to address specific questions and concerns.