



C&J Energy Services

C & J ENERGY SERVICES.

3990 Rogerdale Rd. • Houston, TX 77042
Phone: (713) 325-6000 • Fax: (713) 325-5910

August 3, 2016

RE: Update Pertaining to Chapter 11 Financial Restructuring

To C&J Employees,

As you are 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.

Additionally, on July 25, 2016, the bankruptcy court approved an interim post-petition financing motion authorizing the Company to have immediate access to \$25 million and secure up to \$100 million of debtor-in-possession financing from our existing lenders to enhance our liquidity and working capital during the restructuring process. We would expect a final post-petition financing motion to be approved in the coming weeks giving the Company access to the full \$125 million. Our current cash balance along with this new financing will provide us with sufficient resources to support our businesses and continue our operations in ordinary course through the Chapter 11 process and when we emerge at its completion.

We truly believe that each of you – C&J employees – are the Company’s most important asset, and we want to ensure that you understand what this restructuring plan means for you:

- **C&J is open for business and will continue to operate as usual.** This is a financial restructuring, not an operational one. We will continue to operate and serve our customers in the normal course. We are committed to protecting our customers and ensuring that none of our customer relationships are impaired as a result of the restructuring process. The best way you can help is by continuing to focus on your daily responsibilities so we can continue to provide “Excellence Delivered” in a safe, efficient and reliable manner to all of our customers, without any interruption or loss in service quality.
- **C&J will continue to pay salaries and provide benefits.** On July 21, 2016, the bankruptcy court approved a final motion for the Company to continue paying wages and providing benefits throughout the restructuring process. As a result, employees can expect to be paid and receive their customary wages and benefits (such as medical, vacation time, 401(k) plan, etc.) as usual, without interruption, throughout this process.

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.



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- **C&J will continue to pay vendors and contractors.** One of the key features of the restructuring plan is our commitment and ability to continue to pay our suppliers for goods and services provided post-filing of the Chapter 11 case. 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.
- **We intend to move through this 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 in the best interest of the Company 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 the Company 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 will continue to keep you informed as we move through the restructuring 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 tab under the Investor Relations section of our corporate website. Finally, we plan to host additional town halls meeting in order to keep all of you informed as new announcements are made.

As always, it is important that we speak with one voice. If you are contacted by the media or other third parties, please refer these inquiries to Daniel Jenkins in our investor relations department.

The past few months have been difficult for everyone, especially our employees. I am grateful for your persistent hard work and dedication to the Company, and I truly appreciate your continued efforts as we work together through this process to better position C&J for long-term success.

Sincerely,

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

General 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, funds generated from operations and debtor-in-possession financing provided as part of the restructuring process to 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.

Employee FAQs:

1. *How does this affect employees?*
- It is important to understand that this is a financial restructuring and the Company's operations will continue in the normal course throughout the court-supervised process.
 - Our employees are one of C&J's greatest competitive advantages. They are critical to the Company's future success and our ability to continue running our businesses during the restructuring process.
 - On July 21, 2016, the bankruptcy court approved a final motion for the Company to continue paying wages and providing benefits throughout the restructuring process. In fact, at the first day hearing, the bankruptcy court judge said on the record that, ***"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..."***
 - The best way you can help is by continuing to focus on your daily responsibilities so the Company can continue to provide "Excellence Delivered" in a safe, efficient and reliable manner to all of our customers.



2. *Will I continue to be paid?*

- Yes. We are continuing our business in the ordinary course, and we will continue paying employee's wages in the same manner.

3. *Will the financial restructuring affect my benefits?*

- As an employee, you can expect to continue to be paid and receive your customary wages and benefits (such as medical, vacation time, 401(k) plan, etc.) as usual throughout this process.
- We anticipate no changes to your health insurance, 401(k) retirement plan, vacation time, employer-provided life insurance, or any other benefits programs in which you are currently enrolled.

4. *Will there be layoffs?*

- We expect to maintain our current staffing levels. Future employment decisions will continue to be based on market conditions and overall company performance.
- Again, this is a financial restructuring and our operations will continue in the normal course.

5. *What about my Company stock?*

- As is typical in a Chapter 11 case, C&J's common stock will likely be delisted from the NYSE shortly after the commencement of the Chapter 11 case. However, we currently expect that C&J's common stock may continue, for a period of time (not longer than the completion of the Chapter 11 proceeding), to be traded in the Over the Counter market.
- Under the terms of the RSA, upon the Company's emergence from Chapter 11, we currently expect that all existing C&J shares will be cancelled. This would mean that none of the current C&J shareholders would own stock in the newly emerged C&J.
- In connection with the elimination of all of the Company's debt, our lenders are expected to own 100% of the new stock in the reorganized Company, subject to dilution on account of certain events set out in the RSA.
- Subject to the satisfaction of certain conditions, existing C&J shareholders could receive a pro rata share of seven year warrants exercisable for up to an aggregate of 6% of new common stock at a strike price of \$1.55 billion.
- Specifically, assuming bankruptcy court approval, C&J will ask its stakeholders, including C&J shareholders at that time, to vote to approve a Plan of Reorganization. The Company will set a "record date" to determine its existing shareholders as of such date who are entitled to vote on the Plan of Reorganization. If at least 2/3rds of the C&J shareholders who vote on the Plan, vote to accept the Plan of Reorganization, then the warrants will be distributed to all existing C&J shareholders as of the record date.
- The warrants present an opportunity for existing C&J shareholders to potentially recoup some of their investment in the Company; however, all existing C&J shareholders will be substantially diluted.
- If the warrants are not issued, holders of existing C&J common shares will not receive a distribution under the Plan of Reorganization on account of their equity interests.
- In light of this new equity structure, C&J management is considering potential changes or supplements to the C&J long-term equity incentive plan, and we will provide you with additional information in due course.



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

- We are committed to keeping all of our stakeholders, including our employees, 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 website, 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 Bankruptcy Court 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 about the Chapter 11 process.
- Please feel free to direct customers and vendors to the toll free number, the claims agent website address, or our own website under the investor relations tab if they have questions about the restructuring process.