American Energy Partners

Parent Company to:

HYDRATION Company of PA

AMERICAN ENERGY SOLUTIONS, LLC.

GILBERT

Prospectus

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Executive Summary

American Energy Partners, Inc. (AEPI) is a publicly-traded company (OTC: XFUL) comprised of subsidiaries that source, treat and distribute reclaimed water in an effort to preserve our nation's naturally occurring resources. Together with Hydration Company of PA (sourcing, distributing) and American Energy Solutions (treating), Gilbert Oil and Gas Company provides value through net revenue interests, mineral interests and royalty rights.

HCPA's competitive edge lies within its pure volume of reclaimed water and its access to low cost treatment with high flow rates and highly concentrated solids through AES's partners' technologies. Because of this volume HCPA can effectively gain market share immediately as large corporations want access to one source that can supply massive amounts of reclaimed water to fulfill their input of production through Hydration's patent pending (US 2014/0305879 A1) methodology and conveyance methods.

Through the vertical integration of these companies, AEPI believes it can achieve higher operating profits than the industry average. This should lead to greater returns on invested capital.

AEPI is seeking five ($5) million dollars in exchange for ten (10) million shares of common stock thus valuing one (1) common share at fifty (50) cents (Please see the offering memorandum).

Objectives

AEPI's purpose is to engage in environmental and energy services that create value through its subsidiaries. This will drive:

- ✓ Implementation of a staff
- ✓ Attraction of capital
- ✓ Model replication, explosive growth
- ✓ Increased sales and contracts
- ✓ Growth of strategic partners and joint ventures
- ✓ Margin preservation

Keys to success

- ✓ Strategic alliances and joint ventures
- ✓ Asset acquisitions
- ✓ Pipeline conversions to create contract value
- ✓ Patent pending to full patent
- ✓ Addition of employees
- ✓ Capital target raise of $20M to achieve the above keys

Company Summaries

American Energy Partners, Inc.

Through its subsidiaries and partners, AEPI designs, builds, and operates regional water treatment facilities. We are a leader in water-neutral energy solutions, as well as providing waste water treatment technologies specifically designed to improve the waste disposal process.

AEPI offers a range of modular and fixed systems that produce low-cost water solutions in partnership with select small to large-sized industrial energy users in target markets.

Hydration Company of PA, LLC

HCPA possesses the technical know-how to source, implement and distribute at profit reclaimed water.

The success of the company is dependent upon effectively entering into contracts with private and state-owned mines. These contracts give HCPA the sole right to distribute water from privately owned mines across the country.

The company will operate out of multiple, predetermined, selected sites within the U.S. and will need minimal space to conduct its office activities. The sites while all being different in terms of geography, storage and water quality all sites will enable for augmentation or the ability to mitigate during pass-by conditions. Augmentation is an important factor of the equation. It allows HCPA to not only provide every day water but to provide additional waters to the system when low flow conditions are present. This is a valuable piece of the model because no matter how long or severe of a drought it gives customers the ability to consume at their intake up to their maximum docketed withdrawal thus granting them pass-by exemption.

How the model works – First, hydrological studies are performed statewide to determine the largest pools of non-potable water. Second, access and control of these mines are gained through contracts with the land owner. Third, final hydrology and engineering studies performed. Next, a filtration system is installed with all needed permits. Lastly, a dynamically-adjustable, turn-key system is put online that allows Hydration to execute its model of treatment and distribution through its proprietary conveyance system.

American Energy Solutions, LLC

Through its partners, AES provides treatment technologies that contribute to HCPA's business model of low-cost treatment and distribution. These treatment technologies also allow AES to leverage existing contacts in the industrial space and convert these contacts into contract value. AES's long-term goal is to bring waste stream treatment technologies in-house.

Gilbert Oil & Gas, LLC

Gilbert came into existence to capitalize on the depressed asset pricing in the O&G space. Gilbert's business model is to first capture royalty opportunities then gain working interests on producing wells and lastly to acquire land inventory through mineral rights.

Gilbert will concentrate its initial capital inside the Marcellus & Utica formations where we can monetize existing water assets and treatment technologies.

Following this model we are of the belief that meaningful asset and cash flow value will be derived over the course of time.

Performance to Date

Hydration Company of PA, LLC

HCPA has designed a unique, patent pending system to treat and distribute water in an efficient and economical process that should encourage treated water to be used by gas drillers, pipeline companies, utility companies, industry and municipalities.

Over time HCPA has gained support for our unique, patent-pending process by the DEP, SRBC, and the DCNR in Pennsylvania. In fact, we are currently negotiating contracts and letter of intent agreements with these organizations for mines that store our inventory.

HCPA conducted our first pump test that was a field demonstration at Coal Creek, Blossburg, PA which was granted by the PA DEP & the SRBC. The pump test was performed through AES using GeoTube Technology which produced favorable test result. This enabled Hydration to: 1) Confirm the economic model 2) Prove the validity of the business model 3) Share the results with potential partners, customers and government agencies.

Since that field demonstration HCPA has partnered with EPCAMR and the SRBC to start the first III (3) phases of due diligence at the Mocanaqua Tunnel. This property has an estimated 500 billion gallons of storage and appears to be an excellent candidate for HCPA's methodologies. This opportunity would be worth an estimated $2.5M of construction and O&M for AES. AES would provide the treatment technologies beginning in phase IV.

American Energy Solutions, LLC

AES has begun business development in a handful of industrial segments where it believes the treatment technologies could be deployed in an effective manner. To date, approximately 30 unique opportunities have been identified. These projects in the pipeline range from opportunity to written proposal to negotiation phases. We have confidence that contracts will be derived from this pipeline worth millions of dollars within the next year.

Gilbert Oil & Gas, LLC

Gilbert is in its infancy. Initial steps are being taken to position itself within the O&G market and once additional capital is raised it will be prepared to acquire the assets that fit within its business model.

Website Summary

Our website is updated on a regular basis to give our Investors the latest Company information.

http://americanenergy-inc.com/

Personnel Summary

Personnel will be added on an as-needed basis. These personnel can include executive management, salespersons, engineers, chemists, hydrologists, quality control technicians, transportation experts, managers and in most instances outsourced processes.

Specific and current needs include a sales team, an office administrator and a field engineer to verify sites and coordinate agreements.

Company Ownership

AEPI is an OTC publicly traded Company. Brad Domitrovitsch, Chairman & CEO, currently owns 70% of the common stock. Presently, no other shareholder owns over five (5) percent of the common stock.

Services

Hydration Company of PA, LLC

HCPA is engaged in a single service: to locate, procure, treat and distribute water through its patent pending methodology and conveyance system, and it can be distributed to multiple end-users. This includes, but is not limited to, oil and gas companies, local and regional pipelines, municipalities and land owners.

Oil & Gas:

A technique known as hydraulic fracturing, commonly referred to as fracking, is a necessary part of natural gas production. Fracking is used to create small fissures in the shale, allowing natural gas to flow. It involves the pumping of a mixture of more than ninety nine percent (99%) water and sand with a small amount of special-purpose additives into the ground under high pressure to form the hairline cracks. The newly created fractures are “propped” open by the sand, which allows the natural gas to flow into the wellbore and be collected at the surface. For a typical natural gas well, Chesapeake Energy estimates approximately three and a half (3.5) million gallons of water are used during fracking operations. The three and a half (3.5) million gallons of water needed to drill and fracture a typical deep shale gas well is equivalent to the amount of water consumed by:

- ✓ New York City in approximately five (5) minutes
- ✓ A one thousand (1,000) megawatt coal-fired power plant in eight and three quarters of an (8.75) hour
- ✓ A golf course in eight (8) days
- ✓ Six (6) acres of corn in a season

In PA, the Marcellus Shale Formation has attracted the natural gas industry and as a result there has been a creation (permits) of three thousand (3,000) wells last year alone. If one makes the assumption that each well was only fractured once, there was an average of ten and a half (10.5) billion gallons of water consumed. It is estimated that over fifty (50) trillion cubic feet of natural gas still needs to be drilled for. With such staggering numbers, water will be in short supply and high demand. In fact, water usage in this region in the short-run alone will approach, if not exceed one hundred (100) billion gallons of water as the natural gas companies race to profit from the natural gas reserves.

Municipalities:

Water shortages are becoming commonplace due to many factors such as industry, population growth, water quality, and extreme weather patterns. Municipalities could find themselves purchasing water from alternate sources to supplement their traditional methods of supplying water to their customer base. This customer base now includes the oil and gas companies who now find themselves searching for clean, inexpensive sources of water to use in their fracking process.

As one can observe from the list of users above treated, reclaimed water can be utilized by a range of customers. In spite of this, HCPA will recognize, prioritize, and effectively distribute the reclaimed water in a fashion that will maximize preservation efforts. This management of scarce resources will simultaneously drive the profitability of HCPA.

American Energy Solutions, LLC

AES has positioned itself to take advantage of the vast need for water treatment and waste stream treatment not only from HCPA but from the wide range of industrial clients that includes Gilbert.
AES's services range from small mobile applications to large scale deployment. Whether it is a coal mine, steel mill lagoon or a coal ash producing power plant AES has the ability to handle them all.

Gilbert Oil & Gas, LLC

Gilbert's sole service is to provide cash flow through investment in O&G royalties, producing wells and the development of mineral rights.

Market Segmentation

The segmentation of reclaimed water sales are broken down into two segments: industrial and household users. Current forecasts estimate over ninety five percent (95%) of sales will be compromised of industrial users and households will make up less than five percent (5%) of sales. Within the industrial composition we have included government agencies.

Target Market Segmentation Strategy

Oil & Gas Market Opportunity

Within the Commonwealth of Pennsylvania significant opportunities exist within the industrial segment. The natural gas industry alone will present enormous opportunities for both HCPA, AES & Gilbert. To quantify this in terms of gallons of water, if every opportunity was seized a minimum of three and a half (3.5) billion gallons would be sold. This makes the assumption that each well is fractured only once and uses an average of three and a half (3.5) million gallons of water; many sources are making claims that up to nine (9) million gallons of water are used and an average of four (4) to six (6) million gallons. Such opportunities also exist in bordering states which present equal, if not greater gallon usage. Even though hundreds of wells are currently in operation the Marcellus Shale exploration is still in the first inning of drilling for the estimated fifty (50) trillion cubic feet of reserves.

Taking into consideration the remediation of impoundments, treatment of flowback, produced and drill cuttings tremendous opportunities exist in O&G alone for AES.

Pipeline Companies

Pipeline companies have plans to install pipelines in our initial targeted region of Pennsylvania. Pipelines require continuous flows of water for distribution to the end users and treatment of their drill cuttings. HCPA can provide an alternative source of water to the pipeline companies insuring this continuous flow of water. This can be achieved due to a pass-by exemption provision offered by the Commonwealth when utilizing treated Acid Mine Drainage water. Hydration can also provide everyday treated water that will lower transmission costs and lower their capital expenditures on the amount of pipeline ran. Hydration believes the economics of the model are attractive to pipeline operators. They are selling water to end users at two dollars and forty cents ($2.40) per barrel, which is well above the estimated cost ten (.10) cents per barrel to Hydration to treat and distribute into their pipeline.

Competition & Buying Patterns

Hydration Company of PA, LLC

There are two (2) classifications of competitors that currently exist: Municipal/Watershed sources and Private Individuals.

Municipal:

There are four (4) rivers with significant flow volume within PA. They are the Susquehanna, Delaware, Chenango, and Chemug Rivers. There are a couple barriers to draw meaningful gallons from these rivers. First, one must have the correct permits to withdraw, divert, and/or consume. Second, in some instances landowner approval must be sought along with approval to purchase water from Public Water Suppliers.

HCPA has a distinctive advantage because HCPA does not have to seek multiple permits and approvals from landowners because of the patent-pending conveyance process.

Furthermore, Hydration utilizes waters that are not part of the water table, i.e. mine pools which are isolated "man created" structures. Also, HCPA has a lower cost basis than drawing water from these public sources. Moreover, HCPA is not regulated by nature as these other sources currently cap water withdrawal. This cap or pass-by is exacerbated by drought conditions and local landowners who invoke legal actions to prevent their wells from going dry.

Individuals:
Currently private individuals who own water filled mines/quarries have the right to sell the water for profit. To date, no single individual has emerged that has the ability to satisfy the demand that has been created by the population growth, climate change, regulations and industries. HCPA can not only meet this demand but will be able to command greater margins per gallon sold through delivery contracts. The industrial buyers will have a preference to deal on larger volumes (millions, billions, trillions) and more cost efficient delivery methods (pipelines and distances) such as HCPA's patent pending methodology and conveyance system.

American Energy Solutions, LLC

AES faces competition from multiple companies that engage in treatment solutions. These solutions include filter presses, clarifiers and centrifuges which all tend to be expensive with large O&M budgets, energy intensive and rarely perform as advertised.

AES provides near real time, low-cost, high flow rate, low footprint treatment. The combination of the listed factors provides the competitive advantage needed to gain market penetration. Furthermore, it affords HCPA & Gilbert the same competitive advantage while increasing their financial performance.

Gilbert Oil & Gas, LLC

Gilbert will encounter competition from other O&G companies, private equity groups and others with substantial resources that similarly plan on acquiring depressed O&G assets. Even though there is competition we do not think it will inhibit our growth plan in a meaningful way.

Obstacles to Success

Service Delivery Controls

When awarded contracts that require additional resources AEPI will utilize its list of available consultants with expertise in the required areas. The collaborative nature of our professionals, coupled with our low overhead approach of hiring consultants on an as-needed basis creates challenges in the delivery of quality services and deliverables. AEPI realizes that not everyone will share our vision, values, and methods.

In addition, AEPI understands that as more sites come online it becomes increasingly difficult to monitor projects and communicate information to our consultants.

Because AEPI utilizes exhaustive interviewing, stringent candidate selection and referrals from trusted advisors there is a reasonable confidence that the majority of our concerns will be eliminated through these processes. AEPI will enter into agreements with consultants and contractors who demonstrate a bold commitment to representing the core values of AEPI in an effective manner.

Scalability

The ability to reproduce our proven system on a massive scale is a concern of AEPI. Every site is unique and presents different challenges. Such factors can negatively impact the growth and consistency of our methods and will ultimately challenge our ability to replicate our initial success. This will directly impact how fast AEPI can scale its operations.

Insufficient Capital

Currently AEPI is confronted with the need to attract and retain a consistent investment source in order to grow our operations rapidly. If AEPI is not funded properly it will prevent us from capturing the majority of the market.

To maintain our leadership role and first mover advantage in this space AEPI is seeking funding from the capital markets which may include debt and equity offerings.

Sales Lead Time

Currently lead time for each project is estimated at ten (10) months. This reflects permitting, equipment ordering and delivery of and installation.

Permitting is the majority of the lead time. As is takes months to gain approval from the SRBC, DEP and local permits to install and operate our systems. These permits are not always needed in every project and other permits may be needed depending on the project.

Moving forward utilizing a permit in waiting strategy and submitting multiple permits may diminish this drawn out process.

Strategy & Implementation

Our strategy to increase sales and profit were briefly outlined in the Services section of this plan. These different profit centers will be called upon to increase and diversify our revenues.

Our method of distribution is also different than any other water source or provider. In fact, our method has never been done before in the SRBC region and the SRBC has signed off on it as HCPA was able to model the business inside of all current SRBC regulations.

This method, the Hydration Method allows HCPA to use the discharge's streams as natural pipelines which flow into major water sources such as the Susquehanna River. The use of a natural pipeline creates a distinct economic advantage.

When one couples this with every day water and the insurance policy of pass-by exemption the result is a distinct and powerful economic benefit to any end user.

The capacity to drive profits will largely depend on managements' ability to match our reclaimed sources of water to end users, develop business for AES's treatment technologies and close O&G properties at an attractive valuation under Gilbert. This will be done through individualized meetings with industrials already operating within the Northeast and other select markets where the economics make sense.

Marketing & Strategy

Marketing AEPI's services will be done through several different strategies. First, our relationship with industrial companies will foster into word of mouth advertising. Next, our consultants and sales personnel have meaningful relationships across a broad range of industries. These relationships can lead to contracts. Lastly, partnering with institutions such as PSU Marcellus Shale is a unique opportunity that we have come upon. At PSU MS they publish papers related to best practices in the field. The published reports have the ability to market AEPI's business model to industry leaders.

Growth Plan

Phase I – Accelerated Organic Growth

The first phase of growth is an aggressive expansion of customers under contract and development of these sites.

Two (2) Site Procurement Engineers/Salespersons:
$70k base with bonus potential

To start AEPI needs people on the ground to conduct business development in all stages of its pipeline and to do limited field work. This includes but is not limited to flow rate confirmation, water sampling, site layout, engaging the owner/management, and finalizing a contract.

One (1) Office Administrator:
$30k base with bonus potential

The office administrator will be responsible for the scheduling of appointments, will aid the executives in their communications and perform other office functions.

Phase II – Partnering Push

AEPI's current partners and consultants have gotten us to our current state however, to execute our growth plan AEPI has to reach end users, treatment companies, and the capital markets which will allow us to grow organically and through strategic acquisitions.

Competitive Edge

HCPA's competitive edge lies within its pure volume of reclaimed water and its access to low cost treatment with high flow rates and highly concentrated solids through AES's partners' technologies. Because of this volume HCPA can effectively gain market share immediately as large corporations want access to one source that can supply massive amounts of reclaimed water to fulfill their input of production through Hydration's patent pending (US 2014/0305879 A1) methodology and conveyance methods. HCPA can also provide the reclaimed water without interruption which is not the case with all of its competitors. Due to our competitive edges HCPA will be able to price its competitors out of the market. Current estimates place HCPA's total expenditure at ten (.10) cents per barrel. HCPA intends to charge a minimum of sixty (.60) cents per barrel for its every day water services. This compares with market costs of sixty (.60) cents for fresh water, ninety (.90) cents for AMD, and two dollars and forty cents ($2.40) per barrel for pipeline water in the Northeast.

Sales Strategy

The implementation strategy will drive sales. As this strategy is put in place it should permit management to diversify into the multiple profit centers that were previously identified by our three (3) subsidiaries.

Sales Forecast

Sales are forecasted to grow at a rapid exponential rate. This is a feasible assumption; in fact, we feel this growth rate is attainable because the target markets could be exceptionally receptive to our implementation strategies and value propositions.

The sales forecast could be derailed if there is a drastic economic downturn. This will slow or stop companies from maintaining their current expenditures as the slowdown will diminish or dissolve their profit margins. However, by procuring contracts with pipeline companies and government agencies sales can be stabilized due to their consistent need for water and treatment regardless of economic conditions.

Management Summary

As the largest shareholder of AEPI, Brad J. Domitovitsch, Chairman & CEO will conduct all needed operations and services and will hire personnel as needed. It is our intention to build out a complete team before the end of 2017 that will support our needs in all three (3) business segments.

Personnel Plan

Personnel will be added on an as needed basis. These personnel can range from salespersons, engineers, chemists, hydrologists, quality control technicians, transportation experts, managers, executives, and in most instances outsourced processes.

All personnel will receive a competitive salary and benefits. Personnel will also be outsourced when appropriate.

Important Financial Assumptions

Based on a series of assumptions, we have provided unaudited projected financials. Revenue drivers include three (3) separate revenue sources: HCPA, AES and Gilbert. The revenue was derived from several external models in each of these categories that we feel are appropriate targets for future sales. Additionally we have applied the current sales figures of our current and expected future salesforce to apply a justifiable multiple to our revenue overall. We have assumed a COGS margin of 40%, gross profit margin of 60%, and EBITDA margin of approximately 30%. These margins are mainly attributable to the hydration portion of our revenue, as this will most likely require the greatest expense in years one and the first half of year two. Notwithstanding, net income margins remain healthy, ranging between 16-18%.

The percent of sales method was used to forecast the financial statements. On the revenue side, a growth rate of 300% was assumed for the first five (5) years. Management believes this is a highly obtainable goal due to the absence of a large volume competitor, pricing power, our ability to lock in contracts, diversification of revenue streams and superior customer service. On the cost side, the percent of sales was used to forecast future expenditures, which is a function of locations and employees. Certain costs that are positively correlated to revenue growth will increase in fiscal year 2017 through 2021. If these expenditures are tightly controlled and revenue forecasts are lower than actual sales these forces will combine to produce a greater than predicted bottom line.

**All numbers are represented in thousands and do not reflect any revenues from the O&G division. Those figures can be found in the accompanying presentation.*

Projected Profit & Loss

	PROJECTED FINANCIAL STATEMENTS **Fiscal Year Ending December 31,**				
Income Statement	**2017P**	**2018P**	**2019P**	**2020P**	**2021P**
Revenue	$1,200.0	$3,600.0	$10,800.0	$32,400.0	$97,200.0
Cost of Goods Sold	$480.0	$1,440.0	$4,320.0	$12,960.0	$38,880.0
Goss Profit	$720.0	$2,160.0	$6,480.0	$19,440.0	$58,320.0
Pretax Income	$319.7	$1,063.7	$3,191.2	$9,703.7	$29,160.0
Less Income Tax	$127.9	$425.5	$1,276.5	$3,881.5	$11,664.0
Net Income	$191.8	$638.2	$1,914.7	$5,822.2	$17,496.0

Projected Balance Sheet

	PROJECTED FINANCIAL STATEMENTS				
	Fiscal Year Ending December 31,				
Balance Sheet	**2017P**	**2018P**	**2019P**	**2020P**	**2021P**
Assets	$2,352.9	$1,432.5	$3,687.9	$10,031.9	$28,592.5
Liabilities	$357.1	$567.2	$1,197.6	$3,088.8	$8,512.4
Shareholder's Equity	$1,996.4	$2,634.6	$4,549.3	$10,371.6	$27,867.6
	($0.5)	*($1,769.3)*	*($2,059.0)*	*($3,428.4)*	*($7,787.4)*

Projected Cash Flow

If all conditions are met in the previous sections projected operating cash flow will significantly increase, accelerating over the five (5) fiscal years. In the future years this strong cash flow is a byproduct of robust profit margins and cost control implementations. It is also a product of low accounts receivable and even lower current outstanding liabilities. Moreover, the rapid increase in demand satisfaction through additional locations will propel free cash flow higher.

	PROJECTED FINANCIAL STATEMENTS				
	Fiscal Year Ending December 31,				
Cash Flows	**2017P**	**2018P**	**2019P**	**2020P**	**2021P**
Net Income	$191.8	$638.2	$1,914.7	$5,822.2	$17,496.0
Net Cash Flow	$351.9	$598.4	$1,295.2	$3,463.5	$9,919.6
Ending Cash Position	$351.9	$950.3	$2,245.5	$5,708.9	$15,628.5

Capital Needs and Use of Proceeds

Capital Needs

AEPI is seeking to raise $20,000,000 in multiple debt & equity offerings

Use of Proceeds

▪ Legal	$250,000
▪ Consulting Services (Hydrology, Engineering)	$500,000
▪ SG&A	$50,000
▪ Salaries	$500,000
▪ Operational Costs	$200,000
▪ Working Capital	$2,500,000
▪ Business Development	$1,000,000
▪ Marketing	$500,000
▪ Acquisition of O&G Assets	$10,000,000
▪ Funding of Stony Creek	$2,500,000
	$20,000,000

Milestones

Capital Raised	Allocation
$500,000	Legal, Consulting, Marketing, Salaries, SG&A
$1,000,000	Business Development, Operational Costs, Consulting, WC, Acquisition of O&G Assets
$5,000,000	Acquisition of O&G Assets, Stony Creek Land Acquisition
$10,000,000	Acquisition of O&G Assets
$15,000,000	Acquisition of O&G Assets, Stony Creek Permitting
$20,000,000	Acquisition of O&G Assets