FORM 10KSB40/A

Annual and transition reports of small business issuers [Section 13 or 15(d), S-B Item 405] [amend]

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FILER

AMERICAN ENERGY SERVICES INC

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Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-KSB-A1

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended February 28, 2001

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-24819

AMERICAN ENERGY SERVICES, INC.

TEXAS	76-0279288
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

7224 LAWNDALE, HOUSTON, TX 77012

(Address of principal executive offices)

713-928-5311

(Issuer's telephone number)

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

At July 31, 2001, the Common Stock, $.001 par value, there is a total of 14,065,054 restricted shares and 5,049,558 non-restricted shares totaling 19,114,612 shares of common stock outstanding held by 1,102 shares holders,

DOCUMENTS INCORPORATED BY REFERENCE

There is incorporated by reference in Part III of this Annual Report on Form10-KSB the information contained in the Registrant's Proxy Statement for the Company's Annual Meeting of Stockholder's to be held on October 12, 2001.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

P A R T I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

American Energy Services, Inc., a Texas corporation, was founded and incorporated in 1987 ("Old AES"). The Company began active operations in 1989 after acquiring certain operating assets of two other valve manufacturing and re-manufacturing businesses, CGM Valve, Inc. ("CGM") and American Energy Valves, Inc. ("AEV"). The Company's current directors, Pat Elliott, Larry Elliott, Sid McCarra, Mark Elliott and Cary McCarra, were previously associated with CGM and AEV.

Seahawk Overseas Exploration Corporation, a California corporation ("Seahawk") was formed in November 1988 to conduct the international operations of Seahawk Oil International Corporation ("SOIC"). In January 1989, in conjunction with a planned sale of certain domestic producing oil properties by SOIC, the shares of stock of Seahawk were distributed to the shareholders of SOIC, who number over 3000. Seahawk continued operations with little or no success up until the time of the merger with Old AES, a Texas corporation. In January 1996, Old AES was merged with and into Seahawk pursuant to an Agreement and Plan of Merger by and between Old AES and Seahawk. In accordance with the terms of the merger, (I) Seahawk became the surviving entity although its names was changed to "American Energy Services, Inc." and (ii) shares of Seahawk stock were issued to the seven stockholders of Old AES (i.e. the current AES directors). In February 1996, a new corporation was formed under the name American Energy Services, Inc., a Texas corporation ("New AES"). Subsequent to the formation of New AES, Seahawk merged with and into New AES to maintain the historic domicile of Old AES in Texas and to retain the historical business name. In addition, the merger was intended to provide the Company with a legal entity which could enter the public company domain and ultimately, provide potential capital through the sale of registered securities. The effect of this merger has been that the Company was able to acquire approximately 1,500 shareholders formerly owning shares of Seahawk stock. As used herein, references to "AES" or the "Company" refer to New AES, its subsidiaries and predecessors.

PRODUCTS AND SERVICES

The Company is engaged in providing products and services worldwide to processing manufacturers, energy companies and engineering/construction contractors. Principal end-user markets include domestic and international producers, transporters and refiners of oil and natural gas, as well as the petrochemical, processing and power generation industries. AES designs, manufactures, markets and services standard or specialty valves of varying sizes and pressures used to regulate the movement of liquids, gases, and solid materials.

AES utilizes both Company owned and operated manufacturing facilities and contractually licensed manufacturing subcontractors that are audited for AES quality to produce the full line of AES standard and engineered valves.

For much of its standard product manufacturing requirements, the Company relies on a network of AES-selected subcontractors, all of which are audited and licensed under internationally recognized quality programs, including ISO 9000 and API Q1. The use of these subcontractors allows the Company to reduce its fixed costs my minimizing its investment in plant and equipment. In addition, by maintaining manufacturing relations and capabilities internationally, AES has been able to attract additional customers worldwide.

In addition, the Company designs, engineers and manufactures various valves at its Houston plant. The facility has full scale manufacturing capabilities, including large turning and machine centers, heavy-duty cranes, and full welding capabilities. AES also houses a fully equipped engineering department with

computer-aided design ("CAD") system capabilities and metallurgical equipment to determine American Society of Testing Materials ("ASTM") specified requirements.

Mexico and Alaska

It is prudent to note that AES has implemented a plan that management believes will flatten the cyclical curve of the oil & gas industry. Consequently, AES has directed its attention and efforts to two major areas to guarantee as accurately as possible, revenues from both geographical sections mentioned above.

Mexico, in particular has evolved into a strong hold for AES. AES Houston personnel, including management, speak Spanish, and the 25 year history of good relations and market proximity have been expanded to a broader penetration into the service sector which management believes will augment product sales. A Mexico City office has recently been opened and staffed with 6 employees to more directly participate in the core, valve sales business. Additionally, AES has signed significant representation agreements that management believes will augment revenues with both commissions for new product and services sales, but more importantly grant AES the right of first refusal for core product from AES and its acquired companies, to be supplied to all represented companies. To date, AES has contracts with,

a) Green Oasis Environment, a multipurpose state of the art, modular Refinery Company. The refinery accomplishes two significant goals: 1) consume dirty contaminated waste oil of which Mexico produces some 5 million barrels per year; 2) transform this environmental hazard into much needed diesel, jet fuel and heating oil. AES has negotiated a right of first refusal to sell the approximately $1MM of hard metal goods to construct each patented plant.

b) Boots & Coots (WEL) are a high profile, industry leader in the blow out, and well interdiction companies. This company also has evolved into a state of the art, 21st Century service company that is eagerly looking to enter

Mexico. Boots & Coots, as it maps Mexico wells and petrochemical locations for safety and environmental compliance will need materials of pipe, valves and fittings, to complete its task of bringing the wells and plants into a new, safer, cleaner component of the new Oil, Gas and Petrochemical world in Mexico. AES has entered into a right of first refusal agreement to sell all necessary hard metal goods required by Boots & Coots to perform its services in Mexico.

AES is completing a joint venture Alliance with Arctic Slope Regional Corp (ASRC) , a company that that generates approximately $1BB in annual revenues. ASRC is an integrated oil and gas service, and refining company. AES has opened it's office on July 18, 2001 in Anchorage, located in the Natchiq Headquarters in Alaska. The catalyst for the association between ASRC and AES was a patented valve design "Tractrix" that had been 95% developed over 6 years by ASRC and which needs a market driven company to bring it to its place in the industry. AES is currently in negotiation with Idaho National Engineering and Environmental Laboratory (INEEL) to enter into a license agreement, which will allow AES to market and sell the "Tractrix" valve. However, there can be no assurance that an agreement will be entered into.

The Company manufactures valves to the following qualifications: American Petroleum Institute ("API") 6D, API 6A, API 599, API 600, and API 602. AES is a licensed API monogram holder under specifications 6D and Q1 and its Quality Assurance Manual is ISO 9000 approved. Steps involved with the design and manufacture of the Company's valves include (I) consultation with the customer's project coordinators, (ii) general design work and detailed engineering, (iii) fabrication and assembly and (iv) final installation.

The Company's sales personnel and independent marketing representatives, or agents, initiate sales calls and coordinate bid proposals with the Company's quotation specialists.

The quotation specialists produce proposals that identify preliminary design and cost estimates for a type of valve to be utilized for a specific application. AES marketing management must also determine whether there is a sufficient amount of working capital available to generate revenue.

The initial design efforts involve significant communication and coordination with the customer in order to identify and agree on valve specifications. For custom-engineered valve projects, design concerts are tested against established empirical data and previously manufactured valve designs. AES maintains a source library of valve designs from which to choose and the Company's CAD capabilities provide readily available and accessible design parameters. When an order requires standard valve designs, AES' engineering and quality assurance personnel verify that the Company's "off the shelf" designs comply with the required specifications. Once the valve application has been clearly defined, the Company's engineers formulate a design for the manufactured valve. Project engineers perform complete engineering services, including mechanical schematics, layouts and drawings. Process and electrical control systems can also be integrated into the design.

The manufacturing process involves fabrication and assembly of component parts to meet specific valve designs and specifications. AES produces machined assemblies from raw castings and forgings or sourced machined assemblies from subcontractors, which are inspected fully for material and tolerance compliance. The assembly groups are then put together as a complete valve, and function and operation tests are performed. Testing involves configuring testing procedures and changing the equipment before each test in order to ensure that the valves meet the particular project's needs and requirements. The Company believes that its testing of valve integrity is the basis for providing performance and quality guarantees and total concept capability. After testing is completed, the valves are prepared for shipment.

Because the manufacturing process can take from several weeks to several months, customers frequently request partial shipment of finished products and components. AES generally invoices customers as deliveries are made. Receivables represent billings on delivered products or milestone achievements. Revenue is recognized utilizing the percentage-of-completion method.

NEW PRODUCTS AND SERVICES

Since 1993, AES has developed (I) a full line of refinery and process gate, globe, swing check, and ball valves of varying sizes, (ii) a line of specialty valve products, designed and manufactured to meet a client's particular valve application requirements, (iii) and other products, including lubricated plug valves, rotary control valves, linear control valves, geothermal through conduit gate valves and pressure seal valves. The Company also offers trunnion mounted ball valves, and reduced or full bore floating ball valves, in virtually any metallurgy required.

The Company also designs and manufactures specialty valves, such as high pressure three-way ball valves for high temperature switching service, metal-seated ball valves for various services including abrasives, three-way piggable "Y" pattern ball valves for dock-loading applications, rapid shutoff high pressure flood valves for NASA launch pad facilities, rotary control valves for quiet operations for the Submarine Division of the U.S. Navy, and cyrogenic valves for service to minus 150 degrees Celsius.

QUALITY COMMITMENT AND CONTROL

The Company's comprehensive quality control program is designed to ensure that valves it manufactures, as well as components purchased from outside manufacturers, meet AES' standards of quality. The quality control program of the Company includes inspections at all stages of the design and manufacturing process at its facility. All purchased components and products assembled by subcontractors are also inspected to ensure that they perform properly. Thus far, the Company's management has been satisfied with the quality and reliability of products assembled by subcontractors. However, there can be no assurance that such products will always perform properly. The performance failure of a product could have a material adverse effect on the Company's business, operating results, and financial condition.

Since 1989, the Company has manufactured over 70,000 valve units. Due to AES's commitment to quality, less than one-fifth of one percent of these units have required any type of field service or plant refitting. The Company is licensed under internationally recognized quality programs, including API Specifications 6D, Q1 and its Quality Assurance Manual is ISO 9000 approved. Additionally, AES has been a member of several standardization societies including API and ASTM, among others.

SUPPLIERS AND SUBCONTRACTORS

The Company purchases nearly all castings, forgings, and certain finished or semi-finished components used in its products from domestic and international suppliers, including foundries and forging companies, bolt distributors and soft good distributors. AES performs most of the finished machining for the Company's engineered products. The Company also assembles valve components, and performs pressure testing and final preparation of the finished product. The Company maintains an approved vendor list of sub-suppliers and sub-assemblies for the final manufacture of equipment by AES for its clients. Over the past eight years AES has developed a working relationship with a substantial number of suppliers and sub-vendors. Management believes that these approved vendors provide adequate availability of alternative sources of quality supplies for use by the Company. However, the Company has not entered into any agreements or contracts with either of these leading sub-vendors except for the placement of specific purchase orders related to the Company's course of business. AES sources its sub-vendors on a continuing, as needed basis. Terms of sale between the Company and the sub-vendors are generally either C.O.D. or under an Irrevocable Letter of Credit payment.

CUSTOMERS

The Company's customers include manufacturers, energy companies, domestic and international oil and gas producers, transmission and refining segments of the energy industry, and the petrochemical processing and power generation industries. End-users of the Company's products consist of a broad range of industrial, commercial and utility companies. The Company's customer base is comprised of 300 accounts with over 125 considered active. The Company markets and sells a vast majority of its products internationally while marketing domestically through distribution. Over the last ten years, the Company has placed in service approximately $90 million dollars worth of valve products.

The Company seeks to serve a sufficiently large number of customers to avoid dependence on any one customer or industry. Due to the nature of the Company's operations, it is anticipated that significant portions of future revenues may continue to be attributable to a few customers, although it is likely that the identity of such customers will change from period to period. Because of the Company's range of gate, globe, check and ball valves and the variety of applications available to the valves sold by the Company, the Company maintains a broad customer base within the various industries it serves.

The Company's products are used by a variety of segments of the general industries indicated below:

ENERGY INDUSTRY	POWER GENERATION
Refiners and Processors	Co-generators
Oil and Gas Producers	Utility
Transmission Companies	

PLASTIC AND PETROCHEMICAL	MINING AND MINERAL PROCESSING
Petrochemical Complexes	Water and Waste Treatment
Base Resin Manufacturers	Catalysts
Base Chemicals	Steel Mills
	Pulp and Paper

MARKETING AND DISTRIBUTION

DOMESTIC. The Company's domestic (United States, Canada and Mexico) marketing network consists of a primary distribution relationship with multifaceted production, general supply companies and specialty valve distributors. Presently, the Company's distribution activities are in the initial stages of growth. As of February 28, 2001, AES' distribution backlog was in excess of $500,000.

INTERNATIONAL. The Company markets its valve products internationally through a network of independent manufacturer's representative firms or agents located in every major oil and gas producing and/or consuming country in the world. The Company maintains relationships with international customers by regularly sending the Company's international marketing personnel to foreign countries to discuss local market conditions, to conduct technical presentations to potential buyers and to participate in point of sale commercial negotiations during major bid activities. Both domestic and international engineered product sales involve the Company's technical sales personnel and valve engineering consultants. The Company's quotation specialists act as liaisons between customers and the Company's design and engineering group by responding to customer requests for proposals regarding the cost of a certain quantity of valves that meet specific design and capability criteria.

The Company's international markets are divided among the following areas:

1.	Western Hemisphere:	Mexico, Venezuela, Argentina, Colombia, Peru, Ecuador, Brazil
2.	Europe:	North Sea, Continental Europe, United Kingdom, Russia
3.	Africa:	Nigeria, Algeria, Offshore West Africa, South Africa
4.	Middle East:	Turkey, Syria, Saudi Arabia, Kuwait, U.A.E., Egypt
5.	Sub-Continent:	India, Pakistan, Bangladesh
6.	Pacific Rim:	Singapore, Malaysia, Indonesia, Japan, Korea, Thailand
7.	China:	Mainland China, Hong Kong, Taiwan

The market and demand for the Company's valves have grown rapidly recently, primarily as a result of the resurgence of the industries to which the Company markets. The international energy, chemical, and petrochemical industries, as well as domestic refining and pipeline markets have experienced rapid growth. In response to such growth, the Company has opened regional or country offices staffed by marketing personnel indigenous to the local market and technically well versed in valve product applications. The Company employs support personnel in Beijing, China, Seoul Korea, and Calgary, Canada.

The prospects for the Company depend to a large extent upon the economic condition of the industries to which the Company markets. Should these industries experience an economic downturn, there may be a significant reduction in the demand for the Company's products. Many of the Company's competitors are significantly larger than the Company and have substantially greater financial and other resources at their disposal. No assurance, therefore, can be given as to the Company's ability to compete effectively in the even the industries it serves experience an economic downturn.

In addition to direct marketing by independent and Company marketing representatives, the Company markets its products and services through catalogues and brochures. The Company also advertises and attends major trade shows and conventions worldwide.

COMPETITION AND INDUSTRY

The valve manufacturing industry is highly competitive. Although reliable comparative figures are not available, the Company believes that its principal competitors have more extensive and diversified operations and also have financial, operating and other resources substantially in excess of those available to the

Company. However, personal relationships and interaction with clients worldwide at their places of business has proven to be a very effective way of combating competition, developing business and cutting costs. Many years of experience with international manufacturers and suppliers have allowed the Company to purchase valve castings and semi-finished components used in its products at cost competitive prices.

The Company has also been able to successfully compete because minimal overhead and fixed manufacturing costs have allowed it to bid and complete projects at lower prices than its competitors. Many other large traditionally structured valve manufacturers have a substantial capital investment in domestic plant and equipment along with continuing monthly maintenance and production expenses. In contrast, the Company has structured a flexible custom manufacturing, assembly, testing, and quality verification plant in Houston, Texas that is staffed by a core group of experienced, quality-oriented valve experts. The Company's specialized facility is supported and complemented by both domestic and international quality conscious valve manufacturing subcontractors that are selectively utilized on a when needed basis - only as project quality and budget requirements dictate. By outsourcing its manufacturing requirements, not only has the Company been able to minimize fixed costs, but it has also established a large network of subcontractors strategically located throughout the world that can provide annual valve manufacturing capacity exceeding $100 million.

The Company competes against numerous valve manufacturers. Several of the Company's competitors are more established in the industry and have substantially greater manufacturing, marketing and financial resources than the Company. However, the Company plans to remain competitive by continuing to maintain strict quality standards, respond flexibly and responsibly to customers' needs, and deliver high quality products on a reliable basis and at competitive prices.

Some of the Company's competitors include large, well-established US-based valve manufacturers with revenues in excess of $200 million, including Cooper Industries, Crane Valve Company and Zidell Corporation, among others. These large domestic-based producers, which are established domestically and internationally, are able to protect their market territories by target pricing, approval protection, and local relations. Further, their large amount of capital and reserves allow them to survive difficult economic downturns. Another group of competitors includes divisional or stand-alone US valve manufacturers with revenues between $20 million and $100 million, including TK Valve and Tom Wheatley Valve Corporation, both of which are divisions of Dresser Industries, Inc.

The Company also competes with several international competitors located in various parts of Europe, North and South America and Asia. One group of international valve manufacturers with which the Company competes, including Kitz, Grove-Italia and PBV, are recognized, well established, international valve manufacturers with revenues between $10 million and $1 billion. The Company also competes with various low cost producers located in Eastern Europe, India and China.

BACKLOG

The Company's total backlog of valve manufacturing contracts as of May 29, 2001 was approximately $3,214,000(including aforementioned distribution backlog). Approximately 90% of the Company's present backlog of contracts is at least partially secured for payment by irrevocable letters of credit, milestones, progress payments, or wire transfer of funds at time of shipment; however, the majority of the Company's contracts are terminable by the customer without penalty. Certain of the Company's contracts include a "cancellation for convenience" section, which provides for AES recovery of costs incurred to date and related profits. As such, there can be no assurance that the amount of backlog ultimately will be realized.

INDUSTRY OUTLOOK

OIL AND GAS PRODUCTION, TRANSMISSION AND REFINING. Both domestic and international production, transmission and refining markets demand high quality, reliable and long-lasting products for their facilities. The domestic valve market has historically been dominated by brand name products; however, given the economics of domestic deregulation coupled with international end-user acceptance of low-bid, technically capable valve products, the international marketplace is expected to provide quality conscious, low-priced valve manufacturers like the Company with many opportunities.

PETROCHEMICAL, CHEMICAL AND PROCESSING. Over the last few years, the Company has experienced an increasing demand from the international petrochemical and refinery industries for the Company's products. The Company's current positive outlook is directly impacted by the new construction projects regularly announced by the worldwide chemical and petrochemical industries.

POWER GENERATION AND OTHER. The power generation, textile, pulp and paper, food, and mineral processing industries have historically comprised a modest amount of the Company's revenues and business development efforts. However, because the future of these industries is believed by management to offer the Company opportunities for growth, the Company intends to devote a greater amount of its marketing and business development efforts to these industries.

TRADEMARKS AND PROPRIETARY RIGHTS

The Company owns 100% of the Full Port Cartridge Loaded Forged Check Valve design which has been patented with the United States Patent and Trademark Office (US Patent No. 5,522,423). The Company is also in the process of developing several other patents, including a Prescription Compact Thru-Conduit Terminal Gate Valve and a Three-Port Terminal Switch Valve. The Company has also registered the names AEV, AES, and AES Accuseal 500 with the United States Patent and Trademark Office.

RESEARCH AND DEVELOPMENT

The Company currently conducts regular research and development activities involving the engineering and design of valve products. During the fiscal years ended February 28, 2001, 2000, and 1999, approximately $180,000, $225,000 and $226,000, respectively, was expended in connection with such activities. Management anticipates that research and development costs as a percentage of sales will not increase materially from current levels.

ENVIRONMENTAL COMPLIANCE

The Company's operations are subject to a variety of federal, state and local laws and regulations, including laws and regulations relating to the protection of the environment. The Company is required to expend financial and managerial resources to comply with such laws and related permit requirements in its operations and anticipates that it will continue to do so in the future. Although such expenditures historically have not been material to the Company, the fact that such laws or regulations are changed frequently makes it impossible for the Company to predict the cost or impact of such laws and regulations on its future operations. Modification of existing laws or regulations or the adoption of new laws or regulations affecting the Company's operations could adversely affect the Company. The Company believes that it currently is in material compliance with all such applicable laws and regulations.

EMPLOYEES

At February 28, 2001, the Company employed 40 persons. None of the Company's employees are covered by collective bargaining agreements. The Company considers its employee relations to be satisfactory.

ITEM 2. PROPERTIES

The principal offices and manufacturing facilities utilized and owned by AES are located in Houston, TX. These book value of these facilities amount to less than ten percent (10%) of the total assets of AES. The Company believes that its manufacturing facilities will be suitable and adequate to meet production

demands of the near future. In order to take advantage of available orders, however, AES has plans to build a new facility with greater production capacity within the next year.

ITEM 3. LEGAL PROCEEDINGS

Since 1996, the Company has been a plaintiff in a lawsuit against Union Pacific Resources Company and DTI Diversite CTL, Inc. The relief the Company seeks is money damages of approximately $10 million to $12 million for breach of contract and tortious interference. The case is currently pending in the Texas

Court of Appeals.

Since 1999, the Company has been a defendant in a breach of contract lawsuit brought by EIM Company, Inc. ("EIM"). EIM is seeking money damages in the amount of $96,000. The case is before the District Court of Harris County, Texas, 157th Judicial District. The Company has brought a counter claim against EIM for money damages amounting to $50,000.

In 2000, a suit was brought against the Company by DHV Industries, Inc. for breach of contract. The suit was brought in the District Court of Harris County, Texas, 125th Judicial District.

During 2001, Techint-Cotecol brought suit against the Company in District Court of Harris County, Texas, 125th Judicial District for breach of contract. The suit seeks damages in the amount of $1 million. The Company believes that a major subvendor is responsible for manufacturing the valves which are in question in this suit and is confident it will be indemnified by the subvendor for any amounts the Company is required to pay as a result of this suit. The Company is a defendant in a lawsuit of which, in May 2001 the plaintiff won a binding arbitration from the International Chamber of Commerce in the amount of $1,204,000, including interest at a rate of 9% per annum from December 16,1999.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no matter during the fiscal quarter ended February 28, 2001 that was submitted to a vote of security holders.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Since May 26, 2000, AES' common stock has been listed on the NASD OTC Electronic Bulletin Board and continues to be traded on such market. The table below shows the high and low bid prices as reported by the OTC-BB. AES trades under the symbol "AEYS." The bid prices represent inter-dealer quotations, without adjustments for retail mark-ups, markdowns or commissions and may not necessarily represent actual transactions.

The table below shows the high and low bid prices as reported by the OTC-BB during each of the calendar quarters identified below. AES trades under the symbol "AEYS." Trading commenced on May 26, 2000. These bid prices were obtained from the National Quotation Bureau, and do not necessarily reflect actual transaction, retail markups, markdowns or commissions. Based on the very limited public float and trading in Registrant's Common Stock, Registrant believes that such data in anecdotal, and may bear no relation to the true value of Registrant's Common Stock, or the range of prices that would prevail in a liquid market.

Quarter Ended:	High Bid:	Low Bid
March 31, 1999	Securities Not Listed	
June 30, 1999	Securities Not Listed	
September 30, 1999	Securities Not Listed	
December 31, 1999	Securities Not Listed	
March 31, 2000	Securities Not Listed	
September 30, 2000	$1.37	$ .625
June 30, 2000	$1.375	$ .50
December 31, 2000	$1.4062	$ .4062
March 31, 2001	$1.375	$ .5312
June 30, 2001	$ .750	$ .160

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This material contains "forward-looking" statements as defined in the Securities and Exchange Acts of 1933 and 1934 that could involve substantial risk and uncertainties. When expressions include words such as "anticipate", "believe", "estimate", "intend", "expect", "plan" and when similar expressions are used, they are intended to identify the statements as forward-looking. The

Company relies on a variety of internal and external information to develop such statements. Due to the inherent limitations in that development process and the relatively volatile nature of the industry in which the Company operates, actual results, performance and achievements may differ materially from results suggested by these forward-looking statements.

RESULTS OF OPERATIONS

FISCAL YEAR ENDED FEBRUARY 28, 2001 VERSUS FISCAL YEAR ENDED FEBRUARY 29, 2000

Net sales for the Company's fiscal year ended February 28, 2001 decreased $1,976,731 below the fiscal year ended February 29, 2000. This decrease was primarily related to Canceled orders previously recognized as revenue using percentage of completion accounting.

Cost of sales in fiscal 2001 increased $858,176 or 22% higher than fiscal 2000 to $4,658,398. The Gross profit (loss) for fiscal 2001 was ($1,299,722).

Operating expenses in fiscal 2001 increased $2,626,709. The increase can primarily be attributed to penalties and interest associated with unpaid employment taxes, and $1,204,083 expense related to the judgment against the company discussed in the financial note 6.. The Company has initiated a plan to significantly decrease operating expenses including workforce reduction and other cost-reduction programs.

Other expenses for fiscal 2001 decreased $19,093 over other expenses in fiscal 2000 largely due to decreased interest expense.

Net income (loss) for fiscal 2001 was ($6,448,820), an increase in net loss of $5,442,523 in fiscal 2001. The 37% reduction in net sales, as well as the additional overhead cost of being a public company were major factors in the company's net loss for fiscal 2001.

The net loss in fiscal 2001 resulted in basic and diluted losses per share of ($0.83) for fiscal 2001, as compared with ($0.14) loss per share for fiscal 2000.

FISCAL YEAR ENDED FEBRUARY 29, 2000 VERSUS FISCAL YEAR ENDED FEBRUARY 28, 1999

Net sales for the Company's fiscal year ended February 29, 2000 ("fiscal 2000") decreased $5,465,277 or 50% below the fiscal year ended February 28, 1999 ("fiscal 1999"). This decrease was due primarily to a significant downturn in construction in the oil and gas industry. Additionally, the capital constraints under which the Company operated in fiscal 2000, hampered AES' sales efforts.

Cost of sales in fiscal 2000 decreased $4,505,016 to $3,800,222 or 55% below fiscal 1999 of $8,305,238. As a percent of net sales, the Company's gross profit margin improved from 23% in fiscal 1999 to 28.8% in fiscal 2000.

Operating expenses in fiscal 2000 increased $603,456 to $2,172,875 or 28% above operating expenses of $1,569,419 for fiscal 1999. Included in fiscal 2000 operating costs were certain expenses specifically related to taking the Company public and initiating the trading of its shares on the NASDAQ.

Other expenses for fiscal 2000 decreased $168,712 to $368,607 or 31% below other expenses of $537,319 for fiscal 1999. This change was due largely to a decrease in interest expenses accrued by the Company during fiscal 2000.

Net income (loss) for fiscal 2000 was ($1,006,297), a decrease of $1,368,154 from $361,857 net profit for fiscal 1999. The 50% reduction in net sales coupled with $728,000 of extraordinary operating expenses were major factors in the Company's net loss for fiscal 2000.

The net losses in fiscal 2000 resulted in basic and diluted losses per share of ($0.14) for fiscal 2000, as compared with $0.06 earnings per share for fiscal 1999.

IMPACT OF INFLATION

An effect of inflation is to increase the prices of labor and raw materials used to manufacture AES' products, which may require periodic increases in the prices for the products to maintain gross profit margins. Management does not consider AES to have any unique difficulty in managing the effects, if any, on its business.

GOING CONCERN

The accompanying Consolidated Financial Statements have been prepared assuming the Company will continue as a going concern. The Company receives the majority of its revenues from customers in the energy industry, which experience a significant downturn in 1998 that continued throughout 1999. Industry conditions improved in 2000, however the Company's customer base has not to date increased project expenditure levels to those existing in the first half of 1998. Demand for the Company's products and services is impacted by the number and size of projects available as changes in oil and gas exploration and production activities change the respective customers' forecasts and budgets. These fluctuations have a significant effect on the Company's cash flows.

Oil and gas prices have improved significantly since the downturn in 1998. While these price improvements have brought the company increases in the frequency of inquires and subsequent orders, the Company has not yet benefited to a meaningful degree from an increase in the volume of valve projects. Consequently, the Company's financial performance has been subject to significant fluctuations.

As a result of the downturn in the oil and gas industry over the last two years and the resultant negative effect on the Company's financial position, Company management initiated actions in 2000 which included among others, (a) downsizing personnel, (b) attempting to improve its working capital, (c) retargeting its marketing efforts and, (d) consolidating administrative functions to ensure that the Company's resources are deployed in a more profitable manner. The Company's efforts to rationalize its operations commenced in the first quarter of 2000 and continued through 2001. However, the results of these efforts were not sufficient to prevent significant operating losses or provide sufficient levels of operating capital.

However, it is prudent to note that AES has implemented a plan that management believes will flatten the cyclical curve of the oil & gas industry. Consequently, AES has directed its attention and efforts to two major areas intended to generate revenues from Alaska and Mexico.

A Mexico City office has recently been opened and staffed with 6 employees to more directly participate in the core, valve sales business. AES Houston personnel, including management, speak Spanish, and the Company's 25 year history of good relations and market proximity has been expanded into the service sector to augment product sales. Additionally, AES has signed significant representation agreements that is expected to augment our revenues with commissions for both new product and services sales. AES has been granted the right of first refusal to supply products to the following companies:

a) Green Oasis Environment, is a multipurpose state of the art, modular refinery company. Green Oasis refinery's are intended to accomplishes two significant goals: 1) consume dirty contaminated waste oil of which Mexico produces some 5 million barrels per year; 2) transform this environmental hazard into much needed diesel, jet fuel and heating oil. AES has negotiated a right of first refusal to sell the approximately $1MM of hard metal goods to construct each patented plant.

b) Boots & Coots (WEL) is a high profile, industry leader in the blow out, and well interdiction market. This company is eagerly looking to enter Mexico with all of its new services and products intended to protect the environment. As Boots & Coots maps Mexico's wells and petrochemical locations for safety and environmental compliance they will need materials of pipe, valves and fittings, to complete its task of bringing the wells and plants into a new, safer, cleaner component of the new Oil, Gas and Petrochemical world in Mexico. AES has negotiated a right of first refusal to sell all necessary hard metal goods required by Boots & Coots to perform its services in Mexico.

In Alaska AES is completing a joint venture alliance with Arctic Slope Regional Corp (ASRC), a company with approximately $1BB in annual revenues. ASRC is an integrated oil and gas service, and refining company. On July 18,2001 AES opened its office in Anchorage, located in the Natchiq Headquarters in Alaska. The catalyst for the association between ASRC and AES is a patented valve design "Tractrix" that has been 95% developed over 6 years by ASRC and which needs a company to bring it to market. In order for AES to market and sell the "Tractrix" valves AES must enter into a license agreement with the Idaho National Engineering and Environmental Laboratory (INEEL).Currently AES and INEEL are in final negotiation and the company expects to have the license agreement signed by the middle of August. However, there can be no assurance that an agreement will be entered into. The failure of the Company to

enter into an agreement with either ASRC or INEEL would prevent the Company from being able to complete development of and market the "Tractrix" valve. This failure would have a substantial negative impact on the Company's expected future operations.

The Company's impaired liquidity position has resulted in the inability to pay certain vendors in a timely manner. In spite of this, none of AES creditors to date have threatened to file a bankruptcy petition. However, this has hampered the Company's ability to hire sub-contractors, obtain materials and supplies, and otherwise conduct operations in an effective or efficient manner. Moreover, throughout most of fiscal 2000 and 2001, the Company was in default with virtually all its debt agreements. To alleviate the Company's liquidity problems and to improve its overall capital structure, the Company initiated a program to restructure its debt and equity positions. The program involved a series of steps designed to raise new funds, restructure its debt and increase its shareholders' equity.

The Company negotiated agreements with various vendors to exchange debt for shares of common stock, and has agreed to register the shares to be issued to vendors in exchange for approximately 1.5MM of vendor debt.

The Company has been in default on four loans at Metro Bank since September 1999, the loans total $3.3MM in principal and approximately $700,000 in interest expense. To date there has been no threatened foreclosure action by the bank. The Company is in negotiation with Metro Bank to restructure this debt. The proposed restructured debt will provide an additional $250,000 working capital for the company and will place the debt under more favorable terms. If the debt is successfully restructured it will allow the Company to reduce its interest expense and increase the term of the note to 17 years. However, there can be no assurance the company will be able to restructure this debt with Metro Bank.

The Company engaged in a private offering through March to May of 2001 pursuant to rule 506.A Securities Purchase Agreement with certain investors to purchase units (the"Units"), for a purchase price of $1,000 per Unit, each unit consisting of a 6% Convertible Promissory Note (the "Note") in the original principal amount of$1,000 and 500 warrants (the "Warrants") to purchase one share of common stock. Under the 506 offering the company raised $1,050,000 and expects to receive additional funds upon the exercise of the Warrants. Upon conversion of the Notes, the investors can purchase a number of shares, without limitation, based upon a thirty (30%) percent discount from the average market price of our common stock for the five trading days prior to the conversion. The agreements do not contain a trading price below which the investor is not permitted to convert the Note. As a result, the number of shares that these investors are entitled to receive upon conversion will increase as our stock price decreases. Therefore, these investors have an incentive to engage in short selling activities aimed at driving down the price of our common stock.
.

Although the Company has had some limited success raising capital, there can be no assurance that the Company will be able to obtain new capital, and if new capital is obtained that it will be on terms favorable to the Company. As of February 28, 2001, the Company's current assets totaled $3,273,481 and current liabilities were $7,954,323 resulting in a working capital deficit of approximately $4,680,842. The Company is actively seeking new sources of financing, including the restructuring of old debt and raising capital through the issuance of company stock. Additionally, the Company continues to pursue methods to expand its business activities and enhance its operating cash flow. However, absent new sources of financing, or if the Company does not significantly improve its operating performance, the Company will not have sufficient funds to meet its current obligations over the next twelve months and could be forced to dispose of its assets in order to satisfy future liquidity requirements. The current uncertainties surrounding the sufficiency of its future cash flows and the lack of firm commitments for additional capital raise substantial doubt about the ability of the Company to continue as a going concern.

LIQUIDITY AND CAPITAL RESOURCES/INDUSTRY CONDITIONS

The primary sources of the Company's revenues are generated from customers in the energy industry, which experienced a significant downturn in 1998 that continued throughout 1999. The energy

industry began to improve in 2000, however the Company's customer base had not yet begun to increase budgets to include large projects, which may have enabled the Company to increase sales to a level seen before the downturn. The Company has experienced a very large increase in order inquiries in the fourth quarter of fiscal 2001, which leaves management believing that the energy industry has increased budgets to include large valve projects. However, these fluctuations in the energy industry have had a significant impact on the Company's cash flows. As a result of this downturn the Company is in a severely impaired liquidity position.

To alleviate the Company's liquidity problems the Company has aggressively initiated a plan to restructure its debt and equity position. This plan has already been successful in reducing vendor debt $1,506,858.

Although Company sales generally include a high percentage of export sales, the exposure to currency rate fluctuations is considered minimal. The U.S. dollar is the functional currency of the Company and all AES purchase orders are placed with and paid to the Company in that same currency. Thus, all sales and receivables are denominated in U.S. dollars.

ITEM 6A. QUANTITATIVE AND QUALITATIVE DISCLOSURES REGARDING MARKET RISK

Market risk inherent in financial instruments outside the financial statements is considered immaterial.

ITEM 7. FINANCIAL STATEMENTS

The financial statements required to be filed under this item are presented elsewhere in this report. Such financial statements are incorporated by reference under this Item 8. See the index to this information on page 16 of this Annual Report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

P A R T III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information about the directors and executive officers of the Company:

NAME	AGE	POSITION
Larry S. Elliott	53	Chairman of the Board, and Senior Vice President
Patrick S. Elliott	57	Director, President, and Chief Executive Officer
Mark P. Elliott	37	Director, Senior Vice President
Cary P. McCarra	37	Director, Senior Vice President
Sidney J. McCarra	48	Director, Senior Vice President

LARRY S. ELLIOTT - Larry Elliott has served as Chairman of the Board of Directors of AES since October, 1997, as President of the Company from March, 1989 until appointed Chairman, and as a director since October 1992. He has over 27 years experience in the valve industry, including extensive business travel and relationships in 45 countries. He is familiar with every major area of the Company, including sales, engineering, manufacturing, accounting and legal.

PATRICK S. ELLIOTT - Patrick Elliott has served as President of the Company since October, 1997, Chairman of the Board from March 1989 through September, 1997, as Vice President since March 1989, and as a director since October, 1992.

MARK P. ELLIOTT - Mark Elliott has served as a director of the Company since October, 1992, and as Vice President since March 1989. During that time, he has been responsible for marketing and selling the Company's valves and services to the oil and petrochemical industry. He is currently Senior Vice President of Sales and leads the efforts of the Company's Sales Department.

CARY P. MCCARRA - Cary McCarra has served as a director of the Company since October 1992, and as Vice President since March 1989. He has nearly 20 years experience in the valve industry, including welding, machining, assembly and testing. He is currently Senior Vice President and is responsible for on-site inspection tours of all current and potential Company vendors, including auditing Quality Assurance programs and witnessing procedure implementation.

SIDNEY J. MCCARRA - Sidney McCarra has served as director of the Company since

October 1992 and as Vice President since March 1989, and is currently Senior Vice President. He has been active in the valve manufacturing and re-manufacturing industry since 1974. He has served as Vice President of Procurement and Vice President of Operations. He has been responsible for purchasing valve products and equipment, including parts, machinery and valves, and for managing day to day operations, including accounting, collections, shipping, receiving, and sales. He is currently responsible for locating and approving new quality vendors, negotiating vendor contracts, and performing management duties for all foreign operations as it relates to product distribution and project business.

ITEM 10. EXECUTIVE COMPENSATION

The following compensation table sets forth certain information regarding compensation paid during the fiscal year ended February 28, 2001 to the executives of the Company. Officers are paid $ 30.00 per hour up to sixty hours per week; in addition each officer receives a $ 500 auto allowance per month.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	SALARY ($)	BONUS ($)	STOCK AWARDS OTHER COMPENSATION
Patrick S. Elliot	2001	$ 94,000	0	0
Chief Executive Officers,	2000	95,000	0	0
President, and Director	1999	90,000	0	0
Larry S. Elliot	2001	$114,000	0	0
Chairman of the Board,	2000	110,000	0	0
and Senior Vice President	1999	111,000	0	0
Sidney J .McCarra	2001	$109,000	0	0
Senior Vice President,	2000	113,000	0	0
Secretary and Director	1999	90,000	0	0
Mark P. Elloitt	2001	$ 81,000	0	0
Senior Vice President	2000	92,000	0	0
and Director	1999	90,500	0	0
Cary P. McCarra	2001	$ 113,000	0	0
Senior Vice President	2000	108,000	0	0
and Director	1999	90,500	0	0

2000 STOCK OPTION PLAN

The board of directors and stockholders of AES adopted the 2000 Stock Option Plan (the "Option Plan") in June of 2000. Under the Option Plan, 3,000,000 shares of AES' common stock, subject to certain adjustments, were reserved for issuance upon the exercise of options. Options granted under the Option Plan are intended to constitute incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended. Incentive stock options may be granted under the Option Plan to employees, including officers and directors who are employees, of AES on the date of grant.

By its terms, the Option Plan is to be administered by a committee appointed by the board of directors which shall consist of at least three disinterested persons who serve at the discretion of the board of directors. Subject to the provisions of the Option Plan, the committee has the authority to determine the persons to whom options will be granted, the exercise price, the term during which options may be exercised and such other terms and conditions as it deems appropriate.

Incentive stock options granted under the Option Plan may not have an exercise price less than the fair market value of the common stock on the date of the grant, i.e. 110% of the fair market value in the case of employees holding ten percent or more of the voting stock of AES. Options granted under the Option Plan will expire, not more than ten years from the date of the grant, five years in the case of incentive options of employees holding ten percent or more of the voting stock of AES, subject to earlier termination under the Option Plan. Optionees under the Option Plan may exercise their options by paying cash or by tendering shares of AES common stock that they already own.

The following table presents information for the named officer in the Summary Compensation Table with respect to options exercised during the fiscal year ended February 28, 2001 and unexercised options held as of the end of the fiscal year.

<TABLE>
<CAPTION>

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Unexercised Options/SARs at FY-End Exercisable/Unexercisable	Underlying Value of In-the-Money Options/SARS at FY-End ($) Exercisable/Unexercisable
<S>	<C>	<C>	<C>	<C>
Patrick S. Elliot	183,800	0	0/0	$0/$0
Larry S. Elliot	176,640	0	6,360/0	$5,565/$0
Sidney J. McCarra	176,640	0	6,360/0	$5,565/$0
Mark P. Elliot	183,000	0	0/0	$0/$0
Cary P. McCarra	176,640	0	6,360/0	$5,565/$0

</TABLE>

Values reflected above are based on the closing price of $ .875 per share of AES' common stock for the last business day of the fiscal year.

COMPENSATION OF DIRECTORS - No director of the Company received any form of compensation from the Company for any services provided as a director, for committee participation, or for special assignments.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the number of shares of Common Stock owned beneficially as of July 31, 2001 by: (I) each person known to the Company to own more than five percent (5%) of any class of the Company's voting securities; (ii) each director of the Company; and (iii) all directors and officers as a group.

<TABLE>
<CAPTION>

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNER	PERCENT OF CLASS
<S>	<C>	<C>	<C>
Common Stock	Larry S. Elliott (1) 5319 Mandell Houston, TX 77005	2,135,679(3)	11.17%
Common Stock	Patrick S. Elliott (2) 2608 Green Tee Pearland, TX 77581	2,102,457(4)	11.00%
Common Stock	Mark P. Elliott 3504 E. Circle Drive Pearland, TX 77581	983,729	5.13%
Common Stock	Sidney J. McCarra 1903 Orchard Country Houston, TX 77062	1,667,426	8.72%
Common Stock	Cary P. McCarra 3663 Nasa Road 1, #301 Seabrook, TX 77586	394,576	2.06%
Common Stock	All directors and officers as a group	7,283,867	38.11%

</TABLE>

Unless otherwise indicated, all shares of Common Stock were held directly with sole voting and investment powers.

1. Includes 1,708,679.2 shares owned by the Larry S. Elliott Trust for the benefit of Ross S. Elliott and Laura Elise Elliott, the children of Larry S. Elliott. Larry S. Elliott, as trustee of this trust, has sole voting and dispositive power over the trust assets.

2. Includes 1,767,457.8 shares owned by the Pat S. Elliott Trust for the benefit of Mark P. Elliott, Shannon Elliott and Michelle Elliott, the children of Pat S. Elliott. Pat S. Elliott, as trustee of this trust, has sole voting and dispositive power over the trust assets.

The Company is not aware of any arrangement which might result in a change of control in the future.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company intends that any transactions between the Company and its officers, directors, principal stockholders, affiliates or advisors will be on terms no less favorable to the Company than those reasonably obtainable from third parties.

PART IV

ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) DOCUMENTS FILED AS A PART OF THIS REPORT

1. Financial Statements

2. All financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or related notes listed above.

3. Exhibits

EXHIBIT NUMBER	DESCRIPTION
2.1	Articles of Incorporation of the Company, filed as Exhibit 2.1 of AES' Report on Form 10-SB filed August 19, 1998, and incorporated by reference herein.
2.2	Articles of Merger of Seahawk Overseas Exploration Corporation with and into the Company, filed as Exhibit 2.2 of AES' Report on Form 10-SB filed August 19, 1998, and incorporated by reference herein.
2.3	Bylaws of the Company, filed as Exhibit 2.3 of AES' Report on Form 10-SB filed August 19, 1998, and incorporated by reference herein.
2.4	Form of Common Stock Certificate, filed as Exhibit 2.4 of AES' Report on Form 10-SB filed August 19, 1998, and incorporated by reference herein.

2.5	Common Stock Purchase Warrant of Murphy & Co., filed as Exhibit 2.5 of AES' Report on Form 10-SB filed August 19, 1998, and incorporated by reference herein.
6.1	Promissory Note dated November 17, 1997 executed by the Company in favor of Metrobank, N.A., in the original principal amount of $1,200.000, filed as Exhibit 6.1 of AES' Report on Form 10-SB filed August 19, 1998, and incorporated by reference herein.
6.2	Promissory Note dated May 2, 1998 executed by the Company in favor of Metrobank, N.A., in the original principal amount of $2,000,000, filed as Exhibit 6.2 of AES' Report on Form 10-SB filed August 19, 1998, and incorporated by reference herein.
6.3	Security Agreement dated May 2, 1998 executed by the Company in favor of Metrobank, N.A., in the original principal amount of $2,000,000, filed as Exhibit 6.3 of

	AES' Report on Form 10-SB filed August 19, 1998, and incorporated by reference herein.
6.4	Promissory Note dated February 2, 1998 executed by the Company in favor of Metrobank, N.A., in the original principal amount of $644, 465, filed as Exhibit 6.4 of AES' Report on Form 10-SB filed August 19, 1998, and incorporated by reference herein.
6.5	Security Agreement dated February 2, 1998 executed by the Company in favor of Metrobank, N.A., in the original principal amount of $644,465, filed as Exhibit 6.5 of AES' Report on Form 10-SB filed August 19, 1998, and incorporated by reference herein.
23	Consent of Simonton, Kutac & Barnidge, L.L.P.

o Management Contract or compensatory plan or agreement.

The Company will furnish a copy of any exhibit described above to any beneficial holder of its securities upon receipt of a written request therefor, and provided further that such holder pays to the Company a fee compensating the Company for its reasonable expenses in furnishing such exhibits.

(b) AES did not file any report on Form 8-K during the year ended February 28, 2001.

SIGNATURES

As required by Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned.

AMERICAN ENERGY SERVICES, INC.
(REGISTRANT)

Date: July 31, 2001

By: /s/ LARRY S. ELLIOTT
Larry S. Elliott
Chairman of the Board

As required by the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ LARRY S. ELLIOTT	Senior Vice President and Chairman of the Board	July 31, 2001
/s/ PATRICK S. ELLIOTT	President, Chief Executive Officer and Director (Principal Executive Officer)	July 31, 2001
/s/ SIDNEY J. MCCARRA	Senior Vice President and Director	July 31, 2001
/s/ MARK P. ELLIOTT	Senior Vice President and Director	July 31, 2001
/s/ CARY P. MCCARRA	Senior Vice President and Director	July 31, 2001

</TABLE>

REPORT OF MANAGEMENT

The accompanying financial statements of American Energy Services, Inc. and its consolidated subsidiaries were prepared by management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's judgment and estimates.

The Company maintains a system of internal controls, including accounting controls. AES believes that its system of internal controls provides reasonable assurance that assets are safeguarded against losses from unauthorized use or disposition and that financial records are reliable for use in preparing financial statements.

Management also recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in policy statements regarding, among other things, conduct of the Company's business activities within the laws of the countries in which the AES operates and avoidance of potentially conflicting outside business interests by the Company's employees.

/s/ PATRICK S. ELLIOTT
Patrick S. Elliott
President and Chief Executive Officer

July 31, 2001

AMERICAN ENERGY SERVICES, INC.

FINANCIAL STATEMENTS

FEBRUARY 28, 2001 AND FEBRUARY 29, 2000

INDEPENDENT AUDITORS' REPORT

The Board of Directors
American Energy Services, Inc.

We have audited the accompanying balance sheets of American Energy Services, Inc. as of February 28, 2001 and February 29, 2000, and the related statements of operations, changes in stockholders' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

In our report dated May 25, 2001, our opinion on the February 28, 2001 financial statements was qualified because of the effects of the omission of a definitive plan by management to obtain additional capital and to restructure operations and debt. As explained in Footnote 13, the Company has developed such a plan as required by generally accepted accounting principles. Accordingly, our present opinion on the February 28, 2001 financial statements, as presented herein, differs from that previously expressed.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company's financial statements disclose information about matters that raise substantial doubt about its ability to continue as a going concern. The Company incurred a net loss of $6,448,820 during the year ended February 28, 2001 and, as of that date, had a working capital deficiency of $4,680,842 and accumulated deficit of $7,142,356. Cost of goods sold exceeded gross revenues by $1,299,722 during 2001. Additionally, the Company is in default of substantially all of its notes payable and long-term debt. There are significant uncertainties surrounding its ability to continue its operations and to satisfy its creditors on a timely basis. While the Company is seeking additional sources of capital, including equity capital, there can be no assurance that the Company will be successful in accomplishing its objectives.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Energy Services, Inc. as of February 28, 2001 and February 29, 2000, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The conditions described above do raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Simonton, Kutac & Barnidge, L.L.P.
Houston, Texas
May 25, 2001, except as to the second
paragraph above and Footnote 13
which are as of July 27, 2001

AMERICAN ENERGY SERVICES, INC.

BALANCE SHEETS

ASSETS

<TABLE>
<CAPTION>

	February 28, 2001	February 29, 2000
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	$ 9,763	$ 75,778
Accounts receivable - trade, net of allowance for doubtful accounts of $59,493 and $20,000 for 2001 and 2000 respectively	165,760	662,132
Accounts receivable - other	--	41,176
Income tax receivable	12,524	124,000
Prepaids and other	118,278	17,370
Costs in excess of billings and estimated earnings on uncompleted contracts	955,100	1,491,996
Inventories	2,012,056	1,901,855
Total Current Assets	3,273,481	4,314,307
Property, Plant and Equipment:		
Machinery and equipment	1,351,225	1,307,682
Furniture and fixtures	327,541	327,541
Vehicles	83,423	83,423
Building and improvements	226,510	226,970
Other	208,489	193,819
Land	76,894	76,894
	2,274,082	2,216,329
Less accumulated depreciation	(1,013,180)	(881,181)
Total	1,260,902	1,335,148
Trademarks, patents and drawings	1,455,462	1,275,462
Less accumulated amortization	(514,037)	(378,545)
Total	941,425	896,917

Other assets:		
Deferred tax asset	--	150,110
Total Assets	$ 5,475,808	$ 6,696,482

</TABLE>

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY

<TABLE>
<CAPTION>

<S>	February 28, 2001 <C>	February 29, 2000 <C>
Current Liabilities:		
Notes payable	$ 2,589,885	$ 2,962,008
Current portion of long-term debt	1,250,715	1,382,347
Current portion of capital leases	102,130	120,175
Accounts payable and accrued expenses	1,057,644	876,155
Federal payroll taxes due	833,566	570,000
Accrued interest	651,300	403,259
Estimated litigation damages	1,204,083	--
Billings in excess of costs and estimated earnings on uncompleted contracts	265,000	46,991
Advances from officers	--	32,500
Total Current Liabilities	7,954,323	6,393,435
Long-term debt, net of current portion	--	--
Capital leases, net of current portion	--	--
Commitments and Contingencies	--	--
Stockholders' (Deficit) Equity:		
Common stock - $.001 par value, 100,000,000 shares authorized; 15,460,717 and 6,973,928 shares issued and outstanding at February 28, 2001 and February 29, 2000, respectively	15,461	6,974
Paid-in capital	4,648,380	989,609
Accumulated other comprehensive loss	--	--
(Accumulated deficit)	(7,142,356)	(693,536)
Total Stockholders' (Deficit) Equity	(2,478,515)	303,047
Total Liabilities and Stockholders' (Deficit) Equity	$ 5,475,808	$ 6,696,482

</TABLE>

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED	
<S>	February 28, 2001 <C>	February 29, 2000 <C>
Sales	$ 4,850,672	$ 5,335,407
Less: Sales returns and allowances	(1,491,996)	--
Net sales	3,358,676	5,335,407

Cost of sales	4,658,398	3,800,222
Gross Profit (Loss)	(1,299,722)	1,535,185
Operating expenses	4,799,584	2,172,875
(Loss) from operations	(6,099,306)	(637,690)
Other expenses (income):		
Interest, net	351,514	366,879
Other, net	(2,000)	1,728
	349,514	368,607
Loss before taxes	(6,448,820)	(1,006,297)
Income tax (expense) benefit	--	--
Net Loss	$(6,448,820)	$(1,006,297)
Basic and diluted (loss) per share:	$ (0.83)	$ (0.15)
Net Loss		
Diluted weighted average shares outstanding	7,761,644	6,565,302
Basic and diluted weighted average shares outstanding	7,761,644	6,565,302

</TABLE>

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED	
	February 28, 2001	February 29, 2000
<S>	<C>	<C>
Net (loss)	$(6,448,820)	$(1,006,297)
Other comprehensive income (loss)	--	--
Comprehensive (loss)	$(6,448,820)	$(1,006,297)

</TABLE>

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY

FOR THE YEARS ENDED FEBRUARY 28, 2001 AND FEBRUARY 29, 2000

<TABLE>
<CAPTION>

	CAPITAL STOCK			RETAINED	
	SHARES	AMOUNT	PAID-IN CAPITAL	EARNINGS/ (ACCUM. DEFICIT)	TOTAL STOCKHOLDERS' (DEFICIT) EQUITY
<S>	<C>	<C>	<C>	<C>	<C>
Balance, February 28, 1999	6,198,966	$ 6,199	$ 212,384	$ 312,761	$ 531,344
Sale of common stock	775,000	775	774,225	--	775,000

Sale of warrants	--	--	3,000	--	3,000
Transfer agent adjustment	(38)	--	--	--	--
Net loss	--	--	--	(1,006,297)	(1,006,297)
Balance, February 29, 2000	6,973,928	$ 6,974	$ 989,609	$ (693,536)	$ 303,047
Common Stock Issued for:					
Cash	1,025,000	1,025	653,975	--	655,000
Officers and directors	915,000	915	1,125,940	--	1,126,855
Accounts payable and accrued liabilities	1,665,462	1,666	1,506,858	--	1,508,524
Prepaid goods & services	374,389	374	376,505	--	376,879
Exercise of employee stock options	163,750	164	(164)	--	--
Financial consultants	3,500,000	3,500	(3,500)	--	--
Replacement of Seahawk shares	843,188	843	--	--	
Net Loss	--	--	(843)	(6,448,820)	(6,448,820)
Balance, February 28, 2001	15,460,717	$ 15,461	$ 4,648,380	$(7,142,356)	$(2,478,515)

</TABLE>

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED	
	February 28, 2001	February 29, 2000
<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net (loss)	$(6,448,820)	$(1,006,297)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	267,492	123,824
Provision for bad debts	39,493	--
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	456,879	(481,350)
Decrease in other receivables	41,176	--
Decrease in income tax receivable	111,476	23,543
Decrease in costs and estimated earnings in excess of billings on uncompleted contracts	536,896	2,564,299
(Decrease) increase in advances from officers	(32,500)	32,500
(Increase) decrease in inventories	(110,201)	(564,760)
Decrease (increase) in prepaids and other	(100,909)	86,464
Decrease in deferred tax asset	150,110	323,261
(Increase) decrease in other assets	--	(46,789)
(Decrease) increase in accounts payable/accrued liabilities	181,489	(3,261,048)
Increase in Federal payroll taxes due	263,566	570,000
Increase in accrued interest payable	248,041	210,000
Increase in estimated litigation damages	1,204,083	--
Increase (decrease) in billings in excess of costs and estimated earnings on uncompleted contracts	218,009	(98,162)
Net Cash Used by Operating Activities	(2,973,720)	(1,524,515)
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(57,753)	(7,599)
Purchase of trademarks, patents and drawings	(180,000)	(283,376)
Net Cash Used in Investing Activities	(237,753)	(290,975)

</TABLE>

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

<TABLE>
<CAPTION>

<S>	<C>	<C>
Cash Flows from Financing Activities:		
Proceeds from sale of common stock	3,658,771	775,000
Proceeds from the sale of warrants	--	3,000
Proceeds from long-term obligations, net	--	203,386
Payments of long-term obligations	(131,632)	--
Payments of notes payable	(372,123)	--
Proceeds from note payable, net	--	568,245
Payments of capital leases	(18,045)	(11,873)
Other, net	8,487	--
Net Cash Provided by Financing Activities	3,145,458	1,537,758
Net (decrease) increase in cash and cash equivalents	(66,015)	(277,732)
Cash and cash equivalents at beginning of year	75,778	353,510
Cash and cash equivalents at end of year	$ 9,763	$ 75,778

	FOR THE YEARS ENDED	
	February 28, 2001	February 29, 2000
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the years for		
Interest	$ 103,473	$ 63,162

</TABLE>

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2001 AND FEBRUARY 29, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

American Energy Services, Inc. ("Company" or "AES") is a manufacturer of custom-engineered flow control valves and a retail distributor of finished valves and flanges. The Company has sales to customers located throughout the world.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statement follows:

CASH AND CASH EQUIVALENTS - The Company considers all highly liquid short-term investments with a maturity of ninety days or less from the purchase date to be cash equivalents.

PREPAIDS AND OTHER - Prepaids and other primarily include prepayments to several law firms and other service providers for future services by issuance of AES common stock.

INVENTORIES - Inventories consist of valve parts and finished goods. Inventories are valued at the lower of cost or market using the average cost method, which approximates first-in and first-out (FIFO).

REVENUE RECOGNITION - Revenues from the sale of flow control valves are recorded when the products are shipped or when title passes. Title normally passes from seller to buyer when goods are shipped.

Revenues on long-term contracts involving a system of control flow valves for a single installation are recorded using the percentage-of-completion method commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. The portion of the total contract price accrued is based on the ratio of costs incurred to date to total estimated costs on each contract. Losses, if any, to be incurred on contracts in progress, are charged to income in full as soon as they become apparent.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. Estimated service lives are as follows:

	ESTIMATED SERVICE LIVES
Machinery and equipment	15 years
Furniture and fixtures	5 - 10 years
Vehicles	5 years
Building and improvements	5 - 31.5 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRADEMARKS, PATENTS AND DRAWINGS - Trademarks, patents and drawings are stated at cost. Amortization is provided in amounts sufficient to relate the cost of amortizable assets to operations over their estimated services lives on a straight-line basis. Estimated service lives are as follows:

	ESTIMATED SERVICE LIVES
Trademarks	10 years
Patents	17 years
Drawings	10 years

INCOME TAXES - The Company accounts for income taxes pursuant to the asset and liability method of computing deferred income taxes. Deferred tax assets and liabilities are established for the temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. When necessary, valuation allowances are established to reduce deferred tax assets to the amount expected to be realized. No provision is made for current or deferred income taxes because the Company has an excess net operating loss carryforward.

USE OF ESTIMATES - In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMPREHENSIVE INCOME - In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income." This statement established standards for reporting and displaying comprehensive income and its components in the financial statements. Under this statement, the Company is required to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings in the stockholder's equity section of the balance sheet. The Company has no other items of other comprehensive income.

EARNINGS (LOSS) PER SHARE - Basic earnings (loss) per share have been computed by dividing net loss by the weighted average number of shares outstanding during the period. Because the Company's potential dilutive securities are antidilutive, the accompanying presentation is only of basic loss per share.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STOCK OPTIONS - The Company adopted the fair value based method of accounting for an employee stock option or similar equity instrument as prescribed in SFAS 123. Under the fair value based method, compensation cost is measured at the grant date based on the value of the award. SFAS 123 prescribes the use of the fair value method for all options issued to nonemployees.

YEAR 2000 - The Company did experience difficulties due to the Year 2000 issue, defined here as the inability of computer systems (both hardware and software) to recognize the change in the year from 1999 to 2000. The Company was required to purchase a new software system and convert essentially all of its existing software over to it. The system and conversion costs were approximately $75,000.

NOTE 2 - CONTRACTS IN PROGRESS

Information regarding long-term contracts in progress is as follows:

<TABLE>
<CAPTION>

<S>	February 28, 2001 <C>	February 29, 2000 <C>
Expenditures on uncompleted contracts	$ 579,845	$ 1,694,380
Estimated earnings thereon	110,255	584,599
	690,100	2,278,979
Less billings applicable thereto	--	(833,974)
	$ 690,100	$ 1,445,005

Included in accompanying balance sheet under following captions:

	February 28, 2001	February 29, 2000
Costs in excess of billings on uncompleted contracts	$ 955,100	$ 1,491,996
Billings in excess of costs on uncompleted contracts	(265,000)	(46,991)
	$ 690,100	$ 1,445,005

</TABLE>

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2001 AND FEBRUARY 29, 2000

NOTE 3 - NOTES PAYABLE

Notes payable consists of the following:

<TABLE>
<CAPTION>

<S>	February 28, 2001 <C>	February 29, 2000 <C>
Note payable to a bank with interest at prime (8.5% at February 28, 2001); principal advances are due on demand secured by substantially all assets of the Company	$ 214,539	$ 228,777
Line of credit agreement with a bank with interest at prime plus 0.5% (9.0% at February 28, 2001) due monthly; principal advances are due on demand and is collateralized by substantially all assets of the Company	1,886,228	2,122,222
Note payable to bank with interest at 8.0%, due currently, secured by certain machinery and equipment	61,292	61,292

Note payable to stockholder, interest at 18.0%, due on demand	83,166	57,312
Notes payable to an officer and director, non-interest bearing, due on demand	20,000	35,836
Note payable to individual, interest at 10.0%, due on demand	230,856	250,000
Factoring agreement with 30% interest, maturing November, 2004	81,116	89,000
Anunsecured line of credit agreement with a bank with interest at prime plus 1.5% (10.0% at February 28, 2001) due on demand, providing for maximum borrowings of $24,000	12,688	15,444
	$2,589,885	$2,962,008

</TABLE>

The above-noted notes payable are due currently as the Company is in technical default with respect to payment schedules and/or restrictive covenants for the majority of them.

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2001 AND FEBRUARY 29, 2000

NOTE 4 - LONG-TERM DEBT

Long-term debt consist of the following:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED	
	February 28, 2001	February 29, 2000
<S>	<C>	<C>
Note payable to a bank due in monthly installments of $16,192, including interest at prime plus 2% (10.5% at February 28, 2001); due February 17, 2008 collateralized by machinery equipment, furniture, fixtures and patents	$1,094,712	$1,194,842
Note payable to a bank; due in monthly installments of $3,410, including interest at 10.5%; due November 5, 2002; collateralized by land, building, equipment and inventory	125,408	137,871
Two notes payable to a bank; due in monthly installments of $586 and $533 including interest at 0.9% and 8.25% due July 2002 and July 2001; collateralized by automobiles	15,831	26,701
Revolving credit agreement (unsecured); 9.25% interest payable monthly	14,764	22,933
	1,250,715	1,382,347
Less current portion	1,250,715	1,382,347
	$ --	$ --

</TABLE>

Substantially all of the above-noted long-term debt is due currently as the Company is in technical default with respect to payment schedules and restrictive covenants, and it has received demand notices from essentially all of these note holders.

NOTE 5 - CAPITAL LEASES

The Company is the lessee of certain equipment under capital leases expiring in various years through 2004. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of the related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2001 AND FEBRUARY 29, 2000

NOTE 5 - CAPITAL LEASES (CONTINUED)

Following is a summary of equipment held under capital leases:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED	
	February 28, 2001	February 29, 2000
<S>	<C>	<C>
Machinery and equipment	$ 109,222	$ 56,782
Furniture and fixtures	146,257	146,257
	255,479	203,039
Less accumulated depreciation	(106,817)	(67,450)
	$ 148,662	$ 135,589

</TABLE>

The above noted capital leases are either in default or delinquent in payments.

Future minimum lease payments under capital leases as of February 28, 2001 are as follows:

FOR THE YEARS ENDED	
2002	$ 51,914
2003	41,265
2004	41,265
Total minimum lease payments	134,444
Less amount representing interest	(32,314)
Present value of net minimum lease payments	$ 102,130

Interest rates on capitalized leases vary and are imputed based on the lower of the Company's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company is a defendant in an arbitration involving a dispute over valves sold by AES that allegedly were not in compliance with the contracted testing requirements. In May 2001, the Plaintiffs won a binding arbitration award from the International Chamber of Commerce in the amount of $1,204,000, including interest at a rate of 9% per annum from December 16, 1999.

Management is considering its alternatives in civil court. However, outside counsel for AES has advised that a favorable outcome is unlikely. Accordingly, a provision for loss of $1,086,000 has been charged to operations, along with an accrual for due and unpaid interest of $118,000, for the year ended February 28, 2001. The Company is vigorously seeking a settlement with the Plaintiff.

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2001 AND FEBRUARY 29, 2000

NOTE 6 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company is engaged in various other lawsuits either as plaintiff or defendant. In the opinion of management, based upon advice of counsel, the ultimate outcome of these lawsuits will not have a material impact on the Company's financial statements.

NOTE 7 - INCOME TAXES

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

The expense (benefit) for income taxes consists of the following:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED	
	February 28, 2001	February 29, 2000
<S>	<C>	<C>
Current	$ --	$ --
Deferred	(1,853,778)	(337,420)
Total	$(1,853,778)	$ (337,420)

</TABLE>

A reconciliation of income taxes computed at the statutory Federal income tax rate and income taxes reported in the statements of operations follows:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED	
	February 28, 2001	February 29, 2000
<S>	<C>	<C>
(Benefit) tax at statutory rate	$(1,853,778)	$ (342,140)
Non-deductible expenses	--	4,720
Subtotal	(1,853,778)	(337,420)
Less: valuation allowance	1,853,778	337,420
Total (benefit) expense	$ --	$ --

</TABLE>

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2001 AND FEBRUARY 29, 2000

NOTE 7 - INCOME TAXES (CONTINUED)

The long-term deferred tax asset results from the following:

<TABLE>
<CAPTION>

	February 28, 2001	February 29, 2000
<S>	<C>	<C>
Basis differences in intangibles and fixed assets	$ (393,327)	$ (393,327)
Net operating loss carryforward	3,400,760	1,208,162
Miscellaneous costs capitalized for tax purposes	--	4,044
Valuation allowance	(3,007,433)	(668,769)
	$ --	$ 150,110

</TABLE>

A valuation allowance has been applied to the above-noted deferred tax assets as a result of the Company's going-concern uncertainty and the substantial doubt of realizing these benefits.

The Internal Revenue Service is currently examining the Company's Federal Income Tax returns for the fiscal years 1993 through 1996. The ultimate resolution of the examination is not known at this time.

NOTE 8 - SIGNIFICANT CUSTOMERS

The Company had sales to one customer that constituted 63% of net sales for the year ended February 28, 2001, and 35% of net sales for the year ended February 29, 2000.

Foreign sales were 20% and 95% of total sales in fiscal years 2001 and 2000, respectively.

NOTE 9 - WARRANTS

The Company has issued warrants to two investment banking firms to purchase 10% of the equity of the Company for professional services in raising equity capital, and are exercisable for a period of five years after the date of issue. The number of shares authorized for issue under this warrant agreement amounted to 619,896 at February 28, 2001 and February 29, 2000. No warrants have been exercised.

In connection with the private placement sale of 775,000 shares of common stock during fiscal 2000, investors received warrants to purchase 310,000 shares of additional common stock for $2.00 per share. The cost of these warrants was $3,000. No warrants have been exercised.

See accompanying notes to these financial statements.

NOTE 10 - STOCK OPTIONS

The Company issued options to employees for the exercise of 121,250 shares of common stock during fiscal year 2001 pursuant to the Company's 2000 Stock Option Plan. The Company recorded $132,163 in expense under SFAS 123 as a result, representing 100% of the fair market value of the common stock on date of grant of the option, all of which were exercised immediately.

NOTE 11 - NEW ACCOUNTING STANDARDS

SFAS No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits," revises standards for disclosures regarding pensions and other postretirement benefits. It also requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis. This statement does not change the measurement or recognition of the pension and other postretirement plans. The financial statements of AES are unaffected by implementation of this standard.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contacts, (collectively referred to as derivates) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair market value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-dominated forecasted transactions. Because the Company has no derivatives, this accounting pronouncement has no effect on the Company's financial statements.

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2001 AND FEBRUARY 29, 2000

NOTE 12 - GEOGRAPHIC INFORMATION

The Company's revenues by geographical area for the fiscal years ended February 28, 2001 and February 29, 2000 are as follows:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED	
	February 28, 2001	February 29, 2000
<S>	<C>	<C>
United States	$2,702,101	$ 533,541
Mexico	651,818	1,333,852
Kuwait	4,757	3,468,014
Other	--	--
Total Revenues	$3,358,676	$5,335,407

</TABLE>

NOTE 13 - GOING CONCERN

The following information is derived from the accompanying financial statements:

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED	
	February 28, 2001	February 29, 2000
<S>	<C>	<C>
Gross (loss) profit	$(1,299,722)	$ 1,535,185
Net (loss)	$(6,448,820)	$(1,006,297)
Net current liabilities in excess of current assets	$(4,680,842)	$(2,079,128)
Accumulated (deficit)	$(7,142,356)	$ (693,536)
Stockholders' (deficit) equity	$(2,478,515)	$ 303,047

</TABLE>

Included in the above noted net current liabilities amount at February 28, 2001, are estimated litigation damages of $1,204,083 (including interest) and $833,566 in delinquent federal payroll taxes (including penalties and interest). Additionally, the Company was in default on substantially all of its notes payable, long-term debt and capital lease agreements. No waivers have been obtained for the defaults. There are significant uncertainties surrounding the Company's ability to continue its operations and to satisfy its creditors on a timely basis.

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

NOTE 13 - GOING CONCERN (CONTINUED)

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company receives the majority of its revenues from customers in the energy industry, which experienced a significant downturn in 1998 and 1999. While industry conditions improved in fiscal 2000, however, the Company's customer base has not increased project expenditures accordingly. Demand for the Company's products and services is impacted by the number and size of projects available as fluctuations in oil and gas exploration and production activities change the respective customers' forecasts and budgets. These changes have a direct effect on the Company's cash flows.

Oil and gas prices have improved significantly since the downturn in 1998. However, the Company has not yet benefited significantly from an increase in the volume of new projects.

As a result of the downturn in the oil and gas industry over the last two years and the resultant negative effect on the Company's financial position, management had initiated actions in fiscal 2000 which included among others, (a) downsizing personnel, (b) attempting to improve its working capital by reducing other operating expenses, (c) increased its marketing efforts and, (d) consolidating administrative functions. However, the results of these efforts were not sufficient to prevent significant operating losses or to provide adequate levels of operating capital.

AES has recently implemented a plan that management believes will improve this situation. AES has directed its attention and efforts to two new market areas intended to generate revenues, namely Alaska and Mexico.

Mexico has evolved into a strong market for AES. A Mexico City office has recently been opened and staffed with 6 employees to better develop this market. Additionally, AES has signed significant representation agreements that are expected to increase revenues with commission revenues for both new product and services sales. AES has been granted the right of first refusal to supply products to two large companies with operations in Mexico.

In Alaska, AES is completing a joint venture alliance with Arctic Slope Regional Corp ("ASRC"). ASRC is an integrated oil and gas service and refining company. On July 18, 2001 AES opened an office in Anchorage. The catalyst for the association between ASRC and AES is a patented valve design "Tractrix" that has been 95% developed over 6 years by ASRC and which needs a market driven company to bring it to its place in the industry. In order for AES to market and sell the "Tractrix" valves AES must enter into a license agreement with the Idaho National Engineering and Environmental Laboratory (INEEL). Currently AES and INEEL are in final negotiation and the Company expects to have the license agreement finalized soon. However, there can be no assurance that an agreement will be entered into.

NOTE 13 - GOING CONCERN (CONTINUED)

The Company has initiated a program to restructure its debt and equity positions. The Company has negotiated agreements with numerous vendors to exchange outstanding payables for shares of common stock. The Company has agreed to register the shares to be issued to vendors in exchange for approximately $1.5 million of vendor payables.

The Company has been in default on four loans at Metro Bank since September 1999. The loans total $3.3 million in principal and approximately $700,000 in interest expense. The Company is in negotiation with Metro Bank to restructure this debt. The proposed restructured debt will provide an additional $250,000 working capital for the Company and will place the debt under more favorable terms. If the debt is successfully restructured, it will allow the Company to reduce its interest expense and increase the term of the note to 17 years. However, there can be no assurance the company will be able to restructure this debt with Metro Bank.

The Company engaged in a private offering from March, 2001 to May, 2001, pursuant to Rule 506.A Securities Purchase Agreement with certain investors to purchase units (the "Units"), for a purchase price of $1,000 per Unit, each unit consisting of a 6% Convertible Promissory Note (the "Note") in the original principal amount of $1,000 and 500 warrants (the "Warrants") to purchase one share of common stock. The Company has raised $1,050,000 through this offering.

Although the Company has had some limited success raising capital, there can be no assurance that the Company will be able to obtain new capital, and if new capital is obtained that it will be on terms favorable to the Company. The Company is actively seeking new sources of financing. Additionally, the Company continues to pursue methods to expand its business activities and enhance its operating cash flow. However, absent new sources of financing, or if the Company does not significantly improve its operating performance, the Company will not have sufficient funds to meet its current obligations over the next twelve months and could be forced to dispose of its assets in order to satisfy future liquidity requirements. The current uncertainties surrounding the sufficiency of its future cash flows and the lack of firm commitments for additional capital raise substantial doubt about the ability of the Company to continue as a going concern.

See accompanying notes to these financial statements.

AMERICAN ENERGY SERVICES, INC.

EXHIBIT 23

To the Board of Directors
American Energy Services, Inc.

In connection with our audits of the financial statements of American Energy Services, Inc. as of February 28, 2001 and February 29, 2000, and for each of the two years then ended, which financial statements are included in the Form 10-KSB, we have also audited the financial statement schedules listed in Item 14 herein.

In our opinion, these financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

Simonton, Kutac & Barnidge, L.L.P.
Houston, Texas

May 25, 2001

AMERICAN ENERGY SERVICES, INC.

SCHEDULE II - VALUATION OF QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	ACQUISITIONS AND DISPOSITIONS	CHARGE TO OPERATIONS	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Year ended February 28, 2001						
Allowance for doubtful accounts	$20,000	$ --	$39,493	$ --	$ --	$59,493
	=======	======	=======	=======	=======	=======
Year ended February 29, 2000						
Allowance for doubtful accounts	$20,000	$ --	$ --	$ --	$ --	$20,000
	=======	======	=======	=======	=======	=======

</TABLE>

See accompanying notes to these financial statements.