

UNITED STATES  
SECURITIES AND EXCHANGE  
COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-KSB/A

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE YEAR ENDED DECEMBER 31, 2004.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 001-31433

**ENDEVCO, INC.**

(Exact name of registrant as specified in its charter)

Texas	74-2142545
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2425 Fountainview, Suite 215, Houston, TX 77057  
(Address of principal executive offices, including zip code)

(713) 977-4662  
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:  
None

Securities registered pursuant to 12(g) of the Exchange Act:  
Common Stock, no par value

Indicate by check mark whether the registrant (i) has 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 (ii) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of 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. [ ]

The aggregate market value of common stock held by non-affiliates of the registrant at December 31, 2004, based upon the last closing price on the OTCBB on December 31, 2004, was \$7,289,000. As of December 31, 2004, there were 197,000,000 shares of Common Stock and 5,238,984 shares of Preferred Stock outstanding. The total number of Common shares authorized is 500,000,000 and the total number of Preferred shares authorized is 10,000,000 for the Corporation.

Documents incorporated by reference: EnDevCo, Inc. Form-KSB for the year ended December 31, 2003 and Adair International Oil and Gas, Inc. Form 10-KSB for the years ending December 31, 2002 and December 31, 2001, Form 8-K, "Other Events - Notice of Restatement of Articles of Incorporation" filed June 1, 2004, Form 8-K, "Other Events - Notice of Change in Option Agreement", filed August 20, 2004, Form 8-K, "Other Events - Notice of Settlement" filed February 16, 2005, Form 8-K, "Corporate Governance and Management - Departure of Directors or Principal Officers" filed March 2, 2005, Form 8-K, "Other Events - Notice of Settlement" filed June 29, 2005 and Form 8-K, "Changes in Registrant's Certifying Accountant - Appointment of New Auditor" filed July 12, 2005.

Transitional Small Business Disclosure Format: [ ] Yes [X] No

**ENDEVCO, INC.**  
**AND SUBSIDIARIES**

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## ITEM 1. DESCRIPTION OF BUSINESS

### INTRODUCTION AND BUSINESS PLAN

EnDevCo, Inc. (the "Company") was originally incorporated in the state of Texas on November 7, 1980, as Roberts Oil and Gas, Inc. Roberts Oil and Gas, Inc. registered its shares of common stock with the Securities and Exchange Commission ("SEC") and began filing periodic reports pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In July 1997, Roberts Oil and Gas, Inc. changed its name to Adair International Oil and Gas, Inc., which was traded on the Over the Counter Bulletin Board ("OTCBB") under the stock symbol AIGI. Following a proxy contest the Company's shareholders elected an entirely new Board of Directors August 5, 2002 with the mandate to implement good corporate governance and return the Company back to profitability. In September 2003, the Company changed its name to EnDevCo, Inc. and its stock symbol to ENDE. EnDevCo, Inc., a shortened version of the "Energy Development Company", establishes an identity that is consistent with the business development activities currently underway to revitalize the Corporation. The Company is involved in several natural resource development projects that transcend the traditional business scope of oil and gas exploration and production. These activities include production of oil and gas from interests held by the Company in the United States and Colombia. The Company is pursuing the development of potassium chloride and other mineral deposits and is investigating an investment in the development of new technologies for the enhancement of oil and gas production, utilizing that technology to gain leverage in the purchase of domestic natural gas production.

EnDevCo, Inc. has adopted the following mission statement:

**"We will maximize shareholder value through the integration of energy and power generation assets while maintaining the highest ethical standards"**

## ITEM 2. DESCRIPTION OF PROPERTIES

### OIL & GAS EXPLORATION

**Gulf of Mexico Option** - On December 28, 2003, the Company entered into an agreement with Pine Curtain Production Company, LLC wherein the Company has the option to participate in an undivided interest of 50% of the seller's undivided interest in Eugene Island Block 294 and Chandeleur Block 14.

**Rio Magdalena Option, Colombia** - On September 25, 2003, the Company purchased from Harvest Production Company, LLC an option to participate in the acquisition and processing of 101 kilometers of 2D seismic, and a continuing option to participate on a joint venture basis in wells to be drilled after the interpretation of that seismic on their Rio Magdalena Association Contract comprising 58,546 hectares (144,600 acres) situated in the Upper Magdalena River region of Colombia.

## GOVERNMENTAL REGULATION

The Company's current and contemplated activities are in the areas of oil and gas exploration and production, and power generation. Federal, state and local laws and regulations have been enacted regulating these activities. Moreover, "toxic tort" litigation has increased markedly in recent years as persons allegedly injured by chemical contamination seek recovery for personal injuries or property damage. These legal developments present a risk of liability should the Company be deemed to be responsible for contamination or pollution. There can be no assurance that the Company's policy of establishing and implementing proper procedures for complying with environmental regulations will be effective at preventing the Company from incurring a substantial environmental liability. If the Company were to incur a substantial uninsured liability for environmental damage, its financial condition could be materially adversely affected.

## EMPLOYEES

The Company currently has three full-time employees. The Company also utilizes outside consultants with the number varying according to project requirements.

## TRANSFER AGENT AND REGISTRAR

On July 8, 2003, the Company appointed Superior Stock Transfer, Inc., 2425 Fountainview Drive, Suite 215, Houston, TX 77057 (713) 977-4662 as the Transfer Agent to handle securities transactions for EnDevCo, Inc. Superior Stock Transfer, Inc. is a wholly owned subsidiary of EnDevCo, Inc.

The Company's transfer agent from March 15, 2002 - July 7, 2003 was US Stock Transfer, 1745 Gardena Ave., Glendale, CA 91204 (818) 502-1404.

The Company's transfer agent prior to US Stock Transfer was Chase Mellon Shareholder Services, 400 South Hope Street, 4th Floor, Los Angeles, CA 90071.

## RISK FACTORS

The prospects of the Company are subject to a number of risks. There may exist, however, other factors which constitute additional risks, but which are not currently foreseen or fully appreciated by management.

### Liquidity and Capital Resources

The Company has incurred net operating losses since the fiscal year ended May 31, 1997 and currently has negative working capital. The Company has no operations at this time that provide working capital. The Company is seeking project based financing to secure the necessary funds to participate in projects. There is no assurance that the Company will be able to secure adequate financing to fund operations.

### Insufficiency of Working Capital

As noted above, the Company has a historical working capital deficit and under previous management depended on the sale of its Common stock to obtain working capital. With approval by the shareholders to increase the authorization of Common stock for the Company, a Securities Registration Statement will be prepared which will allow for the sale of Common stock to raise working capital for the Company. Unless project based funding can be found that will generate capital to allow the Company to begin receiving income from operations, the Company will remain in a relatively inactive state due to the lack of additional working capital until the SEC approves the Company's Securities Registration Statement. No assurance can be given that funds will be available from any source when needed by the Company or, if available, upon terms and conditions reasonably acceptable to the Company.

### Reliance on Efforts of Others

The Company forms joint ventures with industry participants in order to finance and facilitate its activities. In some instances, the Company will depend on other companies to develop, provide financing, and operate its properties and projects. The prospects of the Company will be highly dependent upon the ability of such other parties. As indicated by the nature of the partners, with which the Company is participating in current projects, management believes the risk in relying on such partners is reasonable.

### Foreign Political Climate

The Company has direct oil and gas interests in the United States and the Republic of Colombia. Countries that the U.S. government has placed on the list believed to harbor terrorists will be subjected to increased scrutiny by U.S. Federal authorities. As these types of events mature, the properties held by the Company in Colombia may be subject to embargo or other restrictions in support of U.S. governmental policies.

### Colombia

Colombia remains a challenging political climate for the conduct of international business. Political changes are observed on the horizon that will improve the security and business climate

of the country. However, any negative changes in the political climate of Colombia could have a negative impact on the Company, up to and including the complete loss of these interests.

### International Operations

The Company anticipates that a significant portion of its future international revenues could be derived from its oil and gas and other investment interests located in foreign countries. Currency controls and fluctuations, royalty and tax rates, import and export regulations and other foreign laws or policies governing the operations of foreign companies in the applicable countries, as well as the policies and regulations of the United States with respect to companies operating in the applicable countries, could all have an adverse impact on the operations of the Company.

The Company's interests could also be adversely affected by changes in any contracts applicable to the Company's interests, including the renegotiating of terms by foreign governments or the expropriation of interests.

In addition, the contracts are governed by foreign laws and subject to interpretation by foreign courts. Foreign properties, operations and investments may also be adversely affected by geopolitical developments.

### Oil and Gas Price Volatility

Future revenues from oil and gas production that might be generated by the Company will be highly dependent upon the prices of crude oil and natural gas. Fluctuations in the energy market make it difficult to estimate future prices of crude oil and natural gas. Such fluctuations are caused by a number of factors beyond the control of the Company, including regional and international demand, energy legislation of various countries, taxes imposed by applicable countries and the abundance of alternative fuels. International political and economic conditions may also have a significant impact on prices of oil and gas. There can be no assurance of profitable operations even if there is substantial production of oil and gas.

### Environmental Regulation

The U.S. oil and gas and power generation industries are subject to substantial regulation with respect to the discharge of materials into the environment, pollution, siting of operations or other factors relating to the protection of the environment. The exploration, development and production of oil and gas are regulated by various governmental agencies with respect to the storage and transportation of the hydrocarbons, the use of facilities for processing, recovering and treating the hydrocarbons and the clean up of drilling sites. Many of these activities require governmental approvals before they can be undertaken. The costs associated with compliance with the applicable laws and regulations have increased the costs associated with the planning, designing, drilling, installing, operating and plugging or abandoning of wells. To the extent that the Company owns an interest in a well it may be responsible for costs of environmental regulation compliance even after the plugging or abandonment of that well.

### General Risks of the Oil and Gas and Power Generation Industries

The Company's operations will be subject to those risks generally associated with the oil and gas and power generation industries. Such risks include exploration, development and production

risks, title risks, and weather risks, shortages or delay in delivery of equipment and the stability of operators and contractor companies.

### ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings for the Year Ended December 31, 2004:

**Adair International Oil & Gas, Inc. vs. Chase Mellon Shareholder Services, Inc., Mellon Investor Services, LLC, U.S. Stock Transfer Corporation, Thomas Kernaghan & Co., Union Securities, Ltd., Merrill Lynch, Hubbard, Inc., Tatiana Roa, Braden, Bennick, Goldstein, Gazaway & Co., Jack Sisk & Co., Jackson & Rhodes, P.C., Malone and Bailey, PLLC, John W. Adair, Jalal Alghani, and Vivian Llerena Quintero** - Cause No. 2001-63909, 55th District Court, Harris County, Texas. The Company's claims in the suit against John W. Adair ("Adair"), Jalal Alghani ("Alghani") and Vivian Llerena Quintero ("Quintero") involve allegations of fraud, conspiracy and breach of fiduciary duties owed to the Company by Mr. Adair and Mr. Alghani while they were Officers and Directors of the Company prior to their removal from the Board of Directors at the Company's annual shareholders meeting on August 5, 2002. The Company's claims in the suit against Ms. Quintero involve allegations of fraud, conspiracy and breach of fiduciary duties while employed by the Company as office manager and personal assistant to Mr. Adair when he was Chairman and CEO of the Company.

After the Company's claims were filed in the suit, Mr. Adair, Mr. Alghani and Ms. Quintero filed "counter claims" against the Company on November 9, 2002 alleging standing to sue as shareholders of the Company. Mr. Adair, Mr. Alghani and Ms. Quintero also filed the above described "counter claims" against Richard G. Boyce, Larry Swift, Gene Ackerman, David Crandall, Chris A. Dittmar, John A. Brush, Charles R. Close, and Shareholders Committed to Restoring Equity Group, Inc. ("SCORE Group").

The Company subsequently filed a motion for summary judgment on April 29, 2003 and the Court on July 11, 2003, and again by clarifying its ruling on September 23, 2003, ordered the Company's motion for summary judgment be granted as to all claims in Defendant's / Counter Plaintiff's second amended petition, including the claim of conspiracy to commit defamation, with the exception of the common law defamation claim against the Company, SCORE Group and Mr. Boyce. The Company has denied the allegation and the Board of Directors has determined it is the best interest of the Company to assume the defense of SCORE Group and Mr. Boyce and to indemnify both in its defense of this sole remaining allegation filed by Mr. Adair, Mr. Alghani and Ms. Quintero.

The Company on August 23 and September 4, 2003 filed an amended petition adding the additional Defendants Chase Mellon Shareholder Services, Inc., Mellon Investor Services, LLC, U.S. Stock Transfer Corporation, Union Securities, Ltd., Merrill, Lynch, Pierce, Fenner & Smith, Inc., Tatiana Roa, Braden, Bennick, Goldstein, Gazaway, & Co., Jack Sisk & Co, Jackson & Rhodes, P.C., John W. Adair, Jalal Alghani and Vivian Llerena Quintero and their co-conspirators, jointly and severally, and in favor of the Company for the sum of up to five hundred million dollars (\$ 500,000,000) in actual damages and punitive damages against each of said Defendants as assessed by the jury and for such other and further relief to which the Company may show to be justly entitled.

Discovery in this case was ongoing before the change of control of the Company occurred as a result of the Annual Shareholders Meeting on August 5, 2002. Since that time and as a result of adding additional parties to the lawsuit as described in the preceding paragraph, extensive additional discovery regarding the facts of this case have been undertaken by the new parties to the lawsuit. The Company and Mr. Boyce have provided responses to all requested discovery. The Company will continue to vigorously pursue this case and has engaged expert witnesses to provide testimony regarding certain aspects of this case. The Court has set a trial date for February 2006.

On February 11, 2005, the Company executed a Stock Purchase, Settlement, And Mutual Release And Indemnity Agreement only with John W. Adair, Jalal Alghani and Vivian Llerena Quintero. On June 17, 2005, the Company executed a Compromise Settlement Agreement And Mutual Release with Jackson & Rhodes, P.C. ("Jackson") and a Settlement Agreement And General Release with U.S. Stock Transfer Corporation ("USST"). Jackson and USST paid a combined total cash payment of \$395,000. The Company received \$233,893 net of expenses of \$161,107. The entire amount was paid out for expense reimbursements. See Forms 8-K filed February 16, 2005 and June 29, 2005. The Company is now the sole plaintiff and is pursuing its claims against all other defendants.

The Company is a party to various claims and litigation. Although no assurances can be given, the Company believes, based on its experience to date, that the ultimate resolution of such items, individually or in the aggregate, would not have a material adverse impact on the Company's financial position or results of operations.

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

The Company filed Definitive Proxy Materials with the Securities and Exchange Commission on September 15, 2004. The Notice Date of this Proxy Statement is September 1, 2004. Proxy materials including the Proxy Statement, Proxy Ballot Card and the 2003 Form 10-K were mailed to all shareholders of record on or about September 15, 2004.

The Board of Directors of the Company fixed the close of business on September 10, 2004 as the record date for the determination of shareholders entitled to notice and to vote at the Annual Meeting. As of September 10, 2004, the Corporation had 188,000,000 outstanding shares of Common stock entitled to vote and 4,676,943 shares of "Series A" Preferred stock entitled to vote. In order for shares to be voted, they must have been held as of the record date.

The Board of Directors fixed Friday, October 15, 2004 as the date for the Annual Meeting of Shareholders, which was convened at 3000 Richmond Avenue, Third Floor Conference Room, Houston, Texas 77098 at 9:30 A.M. local time.

The Items of Business brought before the shareholders for consideration that were approved are as follows:

- Elect one (1) director to the Board of Directors for a term of three (3) years.
- Proposal to implement a reverse share split.
- Proposal to ratify the appointment of Clyde Bailey, PC as the Corporation's independent accountants for fiscal 2004.

- Proposal to increase the number of authorized Series "A" Preferred Shares to ten (10) million shares.
- Proposal to exchange existing common share certificates for new common share certificates registered in the Corporation's current name, EnDevCo, Inc.

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### PRICE RANGE OF COMMON STOCK

The Company's Common Stock is currently traded on the over the counter bulletin board ("OTCBB") under the symbol "ENDE." The following table sets forth, for the periods indicated, the high and low closing bid prices for the Common Stock of the Company as reported on the OTCBB. The bid prices reflect interdealer quotations, do not include retail mark ups, markdowns or commissions and do not necessarily reflect actual transactions.

COMMON STOCK PRICE RANGE			
Year	Quarter Ended	High Bid	Low Bid
2004	Dec 31	\$ 0.04	\$ 0.04
	Sep 30	\$ 0.05	\$ 0.04
	Jun 30	\$ 0.06	\$ 0.06
	Mar 31	\$ 0.04	\$ 0.03
2003	Dec 31	\$ 0.01	\$ 0.01
	Sep 30	\$ 0.02	\$ 0.01
	Jun 30	\$ 0.02	\$ 0.01
	Mar 31	\$ 0.02	\$ 0.02
2002	Dec 31	\$ 0.01	\$ 0.01
	Sep 30	\$ 0.02	\$ 0.01
	Jun 30	\$ 0.03	\$ 0.02
	Mar 31	\$ 0.03	\$ 0.02

On December 31, 2004, the closing price for the Common Stock of the Company on the OTCBB was \$0.037. Also on December 31, 2004, there were approximately 9,500 stockholders of record of the Common Stock, including broker/dealers holding shares beneficially owned by their customers.

Notice of Future Dilution of Shareholders -

At the annual shareholders meeting held on October 15, 2004, the shareholders approved an increase in the total number of authorized "Series A" convertible preferred shares with a \$0.01 par value to 10,000,000. Each share of "Series A" Preferred Stock which is then outstanding shall at the sole election of the holder be converted into fully paid and non-assessable shares of Common Stock of the Corporation at a conversion rate of 1,000 shares of Common Stock for each share of "Series A" Preferred Stock. The holders of the issued and outstanding shares of Preferred Stock shall have the equivalent of 1,000 Common Stock votes for each share of "Series A" Preferred Stock.

DIVIDEND POLICY

The Company has not paid, and the Company does not currently intend to pay cash dividends on its Common Stock in the foreseeable future. The current policy of the Company's Board of Directors is for the Company to retain all earnings, if any, to provide funds for operation and expansion of the Company's business. The declaration of dividends, if any, will be subject to the discretion of the Board of Directors.

SALES OF UNREGISTERED SECURITIES DURING 2004

During the year ended December 31, 2004, the Company issued unregistered securities in reliance upon exemptions from registration under the Securities Act of 1933 as amended (the "Act") as provided in Section 4(2) thereof. Each certificate issued for unregistered securities contained a legend stating that the securities have not been registered under the Act and setting forth the restrictions on the transferability and the sale of the securities. No underwriter participated in nor did the Company pay any commissions or fees to any underwriter in connection with any of these transactions. None of the transactions involved a public offering. During the year ended December 31, 2003 the Company did not issue any unregistered securities.

The Company issued stock in lieu of cash in transactions summarized as follows for the years ended December 31, 2004 and December 31, 2003. The Summary Compensation Table included as Item 10, "Executive Compensation", details the number of shares issued for compensation to each Company officer during the respective time period that they have been employed by the Company.

Nature of Transaction	December 31, 2004			December 31, 2003		
	Common Stock	Preferred Stock	Amount	Common Stock	Preferred Stock	Amount
Officer's & Director's Compensation	--	951,000	\$ 951,000	--	863,500	\$ 863,500
Employee's Salaries	--	--	--	--	168,000	168,000
Other Costs & Expenses	47,000,000	137,489	3,214,989	--	1,618,995	1,618,995

Total Issued for Services	47,000,000	1,088,489	\$ 4,165,989	--	2,650,495	\$ 2,650,495
Issued for Investment	--	--	--	--	1,500,000	1,500,000
Totals	47,000,000	1,088,489	\$ 4,165,989	--	4,150,495	\$ 4,150,495

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

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, includes certain forward-looking statements. The forward-looking statements reflect the Company's expectations, objectives and goals with respect to future events and financial performance. They are based on assumptions and estimates, which the Company believes are reasonable. However, actual results could differ materially from anticipated results. Important factors that may impact actual results include, but are not limited to, commodity prices, political developments, market and economic conditions, industry competition, the weather, changes in financial markets and changing legislation and regulations. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended. The notes to Consolidated Financial Statements sections contain information that is pertinent to the following analysis.

### GENERAL COMMENTS ON BUSINESS PLAN

The Board of Directors has passed a unanimous resolution to change the name of the Corporation to EnDevCo, Inc. The shareholders approved the name change at the Annual Meeting held on September 12, 2003. The new ticker symbol is "ENDE".

EnDevCo, Inc., a shortened version of the "Energy Development Company", establishes an identity that is consistent with the business development activities currently underway to revitalize the Corporation. The Company is involved in several natural resource development projects that transcend the traditional business scope of oil and gas exploration and production. These activities include production of oil and gas from interests held by the Company in the United States and Colombia. The Company is pursuing the development of potassium chloride and other mineral deposits and is investigating an investment in the development of new technologies for the enhancement of oil and gas production, utilizing that technology to gain leverage in the purchase of domestic natural gas production.

## **OIL AND GAS EXPLORATION AND DEVELOPMENT**

The Company is pursuing oil and gas exploration and development opportunities in both domestic and international venues. Domestically, the Company has secured certain development rights in two blocks in the Gulf of Mexico that will provide it with the opportunity to participate in the drilling of low risk development wells. As a result of recently acquired 3D seismic data that has been integrated with previously known geological and engineering data, several low risk development drilling opportunities have been identified. Participation in these types of relatively low risk and low cost wells will provide near term cash flow to support the activities of the Company.

Internationally, the Company has identified several other exploration projects that carry significant upside potential (although at higher risk). The Company currently holds a farmin agreement for certain exploration rights in the Rio Magdalena Valley of Colombia. Our exploration teams are also evaluating other opportunities located in Canada, South America, Europe and West Africa.

**Gulf of Mexico Option** - On December 28, 2003, the Company entered into an agreement with Pine Curtain Production Company, LLC wherein the Company has the option to participate in an undivided interest of 50% of the seller's undivided interest in Eugene Island Block 294 and Chandeleur Block 14.

**Rio Magdalena Option, Colombia** - On September 25, 2003, the Company purchased from Harvest Production Company, LLC an option to participate in the acquisition and processing of 101 kilometers of 2D seismic, and a continuing option to participate on a joint venture basis in wells to be drilled after the interpretation of that seismic on their Rio Magdalena Association Contract comprising 58,546 hectares (144,600 acres) situated in the Upper Magdalena River region of Colombia.

## **ENERGY TECHNOLOGY DEVELOPMENT**

Development and implementation of new energy technologies will become a key new business focus for the Company. The identification of and early participation in the implementation of these types of technologies opens several avenues for potential revenue generation and profits. In some instances, the technology can be manufactured and sold to end users once the market accepts the technology. In other instances, the technology might provide a unique competitive advantage that can be successfully leveraged by the Company in the acquisition and development of existing energy projects. Initially, the Company will limit its scope of investigation to those technologies that directly compliment the oil and gas, and power industries.

## **POWER GENERATION**

The Company has management experience and expertise in the areas of power plant development, operations and optimization. The Company intends to pursue opportunities to serve as a management team representing the interests of lenders and private equity investors in control of generation assets acquired from the troubled merchant generation sector.

## RESULTS OF OPERATIONS

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, includes certain forward-looking statements. The forward-looking statements reflect the Company's expectations, objectives and goals with respect to future events and financial performance. They are based on assumptions and estimates, which the Company believes are reasonable. However, actual results could differ materially from anticipated results. Important factors that may impact actual results include, but are not limited to, commodity prices, political developments, market and economic conditions, industry competition, the weather, changes in financial markets and changing legislation and regulations. The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended. The notes to Consolidated Financial Statements sections contain information that is pertinent to the following analysis.

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003					
Line	Description	Year		Differences	Percent Change
		2004	2003		
1	Revenues	--	\$ 1,513,419	\$ (1,513,419)	(100.0)%
2	Cost of Revenues	\$ 120,227	\$ 1,496,500	\$ (1,376,273)	(92.0)%
3	Costs and Expenses	\$ 6,041,887	\$ 4,327,381	\$ 1,714,506	39.6%
4	General and Administrative Expense	\$ 3,740,887	\$ 1,132,912	\$ 2,607,975	230.2%
5	Salaries and Wages Paid in Stock	\$ 951,000	\$ 1,031,500	\$ (80,500)	(7.8)%
6	Loss on Abandonment of Assets	\$ 1,350,000	\$ 2,162,969	\$ (812,969)	(37.6)%
7	Other Income and Expenses	\$98,236	\$ 19,986	\$ 78,250	391.5%
8	Interest Income	\$ 1,007	\$ 5,346	\$ (4,339)	(81.2)%
9	Interest Expense	\$ 99,243	\$ 25,332	\$ 73,911	291.8%

### Analysis of Comparison

- Line 1 - On September 13, 2001 the Company entered into a consulting contract (Congo Contract) with the government of Congo-Brazzaville. During 2002 the Company received initial funding of \$1,472,920 from the government of Congo-Brazzaville which was immediately transferred to the Congo Contract Subcontractor (Subcontractor). No further funding has been received by the Company from the government of Congo-Brazzaville. During 2003, it was determined the Company should recognize revenue on the Congo Contract as payments were made to the Subcontractor. During 2003, the Company recognized revenue of \$1,496,500 from the Congo Contract. The Company believes there will be no further payment from the Congo-Brazzaville on the Congo Contract. Additional information is available at Footnote 3 to the financial statements at page 38.
- Line 2 - The cost of revenues reflects payments the Company made to the Subcontractor and recognition of the remaining \$120,227 owed to the Subcontractor. During 2003 the Company made payments to the Subcontractor totaling \$1,496,500.
- Line 3 - Costs and Expenses overall increased \$1,714,506 during 2004. The detail explaining this increase is shown on lines 4 through 6 below.
- Line 4 - General and Administrative Expense increased \$2,607,975 because of consultant and other professional fees.
- Line 5 - Salaries and Wages Paid in Stock decreased because back pay and director and officer compensation for 2003 was paid during 2003 while during 2004 director and officer compensation was paid only for 2004.
- Line 6 - Loss on Abandonment of Assets was incurred in 2003 because the Company wrote-off the remaining investment in Yemen Block 20 after the ICC International Court of Arbitration decided in favor of the Claimants. During 2004 the Company was unsuccessful in obtaining the remaining financing necessary to obtain an interest in a natural gas project in Sicily. The Company borrowed \$1,350,000 to make the initial payments in the project.
- Line 7 - Other Income and Expenses overall increased \$78,250 during 2004. The detail explaining this decrease is shown on lines 11 and 12 below.

Line 8 - Interest Income decreased because of the reduced interest rate earned on the Letter of Credit Deposit. The Letter of Credit Deposit was returned to the Company in 2004.

Line 9 - Interest Expense increased because the Company accrued interest on various outstanding obligations.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and Uses of Cash

	<u>2004</u>	<u>2003</u>
Net cash provided by/(used in)		
Operating activities	\$ (568,596)	\$ (16,676)
Investing activities	--	(338,718)
Financing activities	<u>568,542</u>	<u>355,572</u>
Increase/(decrease) in cash and cash equivalents	<u>\$ (54)</u>	<u>\$ 178</u>
	At December 31	
Cash and cash equivalents	<u>\$ 374</u>	<u>\$ 428</u>

### Cash Flow from Operating Activities

#### 2004

Cash used by operating activities totaled \$568,596 in 2004, an increase of \$551,920 over 2003. Contributing to this increase was \$3,214,989 in Issuance of stock for expenses, \$951,000 in Issuance of stock for salaries and wages, a decrease of \$527,080 in accounts receivable, a decrease of \$705,812 in Investment account, a decrease in prepaid expenses of \$2,364, a decrease of \$527,080 in unearned revenue, an increase in accounts payable of \$514,231, an increase in taxes payable of \$39,788, an increase in accrued interest of \$49,829, and an increase of \$213,741 in accrued expenses.

#### 2003

Cash used by operating activities totaled \$16,676 in 2003, a decrease of \$925,137 over 2002. Contributing to this decrease was \$2,650,495 in Issuance of stock for expenses, \$1,625,851 in Prepaid expenses, Unearned revenue of \$1,472,920, a decrease of \$852,257 in Accounts payable, Joint venture cash calls of \$2,321,441, \$2,232 additional Taxes payable, and a \$38,930 increase in Accrued expenses.

### Cash Flow from Investing Activities

#### 2004

There were no cash flows from investing activities in 2004.

#### 2003

Cash used by investing activities totaled \$338,718 in 2003, compared to cash provided of \$514,097 during 2002, an increase of \$852,097 over 2002. Contributing to this increase was a \$500,000 note payable given for partial payment on the Purchase of oil and gas property and \$161,282 in right of offset exercised by bank.

### Cash Flow from Financing Activities

2004

Cash provided by financing activities totaled \$568,542 in 2004, compared to cash provided of \$355,572 in 2003, an increase \$212,970. Contributing to this increase was the payoff of the note payable for \$500,000 given for partial payment oil and gas property, the reclassification of the Pace Global note payable for \$281,458 to accounts payable, and an increase of notes payable in the amount of \$1,350,000 given as initial payments to obtain an interest in a gas project in Sicily.

2003

Cash provided by financing activities totaled \$355,572 in 2003, compared to cash provided of \$422,864 during 2002, a decrease of \$67,292. Contributing to this decrease was a \$144,428 reduction in notes payable and \$500,000 borrowed under note and credit agreements.

### Directors and Officers Compensation

The Company currently has nominal cash reserves and no cash flow from operations. Until such time as the financial condition of the Company improves, the Company's Directors and Officers have agreed to manage the Company by receiving payment in "Series A" Preferred stock in lieu of cash consideration.

### Project Development Guidelines

In recognition of the status of current financial resources available to the Company, executive management is committed to identifying and implementing projects that can be primarily project financed. This strategy reduces financial risk to the Company, but necessarily adds additional lead time before projects can be secured and announced to the shareholders.

There are no assurances, however, that the Company will be able to identify and implement financing to develop its projects or that it will be able to generate sufficient revenue growth and improvements in working capital.

As no revenue is currently generated from operations, the Company will have to raise additional working capital through the sale of its Common stock. No assurance can be given that funds will be available from any source when needed by the Company or, if available upon terms and conditions reasonably acceptable to the Company.

The Company has no operations generating cash flows currently.

The Company is exploring debt and equity financing.

## **ITEM 7. FINANCIAL STATEMENTS**

The information required hereunder is included in this report as set forth on pages 28 - 44.

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

On July 8, 2005, the Company appointed the accounting firm of Killman, Murrell & Company P.C. of 3300 N. A Street, Bldg. 4, Suite 200, Midland, Texas 79705 as independent accountants for fiscal 2004. The appointment was recommended by Executive Management and approved by the Board of Directors. The Company's previous independent accountant, Clyde Bailey, P.C., ("Bailey") resigned on July 7, 2005 for health and other reasons.

Beginning on March 28, 2003, Bailey was engaged to perform the year end audit for fiscal 2002. During this time period and for fiscal 2003, the Company has not had nor is it currently involved in any disagreements or disputes with Bailey on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved, would have caused them to make reference to the subject matter of the disagreement in connection with their audit report. Since September 30, 2004, and through the present, there were no reportable events requiring disclosure with respect to the auditor's period of engagement. The reports of Bailey for the periods described above did not contain any adverse opinion, disclaimer of opinion, or modification of opinion.

## **ITEM 8A. CONTROLS AND PROCEDURES**

As required by Rule 13a-15(b), Company's executive management, including the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. As required by Rule 13a-15(d), the Company's executive management, including the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the period covered by this report.

## PART III

### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

The following table sets forth the directors and executive officers of the Company.

Name	Age	Title
Richard G. Boyce	50	Director - Chief Operating Officer
John A. Brush	50	Director
Charles R. Close	46	Director
Chris A. Dittmar	58	Director - Chief Executive Officer, Corporate Secretary
E. Barger Miller III	66	Director - Chairman of the Board - Resigned 02/24/05
Ernest B. Miller IV	36	Vice President Finance - Resigned 02/28/05
Larry Swift	50	Chief Financial Officer, Assistant Corporate Secretary

At the Annual Shareholder Meeting held on September 12, 2003 the shareholders approved a proposal to establish staggered terms of service for Board of Director members and to increase the number of members of the Board of Directors to five (5). Two (2) members will serve three (3) years: Richard G. Boyce and Chris A. Dittmar. Two (2) members will serve two (2) years: John W. Brush and Charles R. Close. One (1) member will serve one (1) year: E. Barger Miller III. At the Annual Shareholder Meeting held on October 15, 2004 the shareholders re-elected E. Barger Miller III to serve a three (3) year term. Once elected, Directors hold office until their term of service expires or until successors are elected and qualified. Officers serve at the discretion of the Board of Directors. Ernest B. Miller IV is the son of E. Barger Miller III. There are no other family relationships between or among any of the other directors and executive officers of the Company.

See 8-K filed March 2, 2005 Item 5.02. Departure of Directors or Principal Officers noticing the resignations of Chairman and Director E. Barger Miller III and Vice President of Finance Ernest B. Miller IV. Father and son left to pursue other business interests.

## **BIOGRAPHIES**

**Richard G. Boyce** - Director and Chief Operating Officer - In addition to serving on the Board of Directors of EnDevCo, Inc. Mr. Boyce is also serving as the Chief Operating Officer with responsibility for all activities of the Company. In addition to his activities with the Company, Mr. Boyce maintains an active geological consulting practice in Dallas, Texas.

In 1998, under the auspices of his privately held company, Partners In Exploration, LLC ("PIE"), Mr. Boyce negotiated a Memorandum of Understanding ("MOU") relating to an exploration and production agreement with the Ministry of Oil and Mineral Resources in the Republic of Yemen on the highly competitive Blocks 20 and 42 located adjacent to major oil production. While looking for partners to join his efforts in Yemen, Mr. Boyce, responded to an AIGI press release in July 1999 that indicated that the Company had secured financing for exploration projects in Yemen. That contact resulted in PIE and AIGI signing a 50/50 joint venture agreement in July 1999, to pursue Yemen Block 20. This joint venture arrangement resulted in both companies signing a MOU with the Yemen Ministry of Oil in October 1999, which gave the companies an exclusive right to negotiate a Production Sharing Agreement ("PSA") for Yemen Block 20. Subsequently, Mr. Boyce merged his privately held company with Adair International Oil and Gas, Inc. and he became a substantial shareholder in the Company.

Prior to his involvement with the Company, Mr. Boyce began his career as a geophysicist for The Superior Oil Company ("Superior") with early training at the Geoscience Laboratory in Houston, Texas. In 1980, Mr. Boyce transferred to Midland, Texas subsequently leaving Superior to work for both Conquest Exploration Inc. and Hunt Oil Company during his ten-year stay in the Permian Basin. In 1991, Mr. Boyce served as the Chief Geophysicist for Hunt Oil Company ("Hunt Oil") based in Dallas, Texas and in 1992 was appointed the Exploration Manager for the Yemen Hunt Oil Company ("Yemen Hunt"), the Operator of the Marib Production Sharing Area in Yemen which daily produces 140,000 barrels of oil. During this time he also served as the Exploration Vice President of the Hunt Oil subsidiaries, Ethiopia Hunt Oil and Jannah Hunt Oil. In addition to managing the daily exploration drilling operations and prospect generation activities, his responsibilities included the negotiation of international contracts, partner relationships, and representation of industry operating groups with foreign governments. Under Mr. Boyce's leadership of the Yemen-Jannah exploration program, several new fields were discovered, resulting in the addition of booked reserves of over 200 million barrels of oil. At Yemen Hunt, Mr. Boyce was responsible for the introduction of the first 3-D seismic program in the Marib Area, resulting in production increases of 50,000 barrels of oil per day. In 1996, Mr. Boyce left Hunt Oil and started Partners In Exploration, LLC, an exploration consulting partnership that provided seismic and geological interpretation services for clients on a worldwide basis.

Mr. Boyce graduated from the Colorado School of Mines in 1978 with a Bachelor of Science degree in Geophysical Engineering and currently maintains active membership in the American Association of Petroleum Geologists, the Society of Exploration Geophysicists and the Association of International Petroleum Negotiators professional organizations. Mr. Boyce is a registered geophysicist licensed by the State of Texas Board of Professional Geoscientists.

**John A. Brush** - Director - Currently Mr. Brush is employed as Senior Contracts Administrator for Computer Sciences Corporation located in Houston, Texas. Computer Sciences Corporation ("CSC") is a large information technology corporation that is a leader in the field of outsourcing information technology to a worldwide client base.

Prior to joining CSC, Mr. Brush was in private practice for approximately five years. His clients included large and small oil and gas exploration and production companies, entrepreneurs and foreign government agencies. Earlier, Mr. Brush served as Vice President and General Counsel for Forcenergy Inc. While serving in this capacity, Mr. Brush designed and implemented corporate contract litigation strategies and managed day to day legal issues on a corporate level that included coordination of multiple outside legal firms in a wide variety of cases. In addition, Mr. Brush evaluated government marketing, transportation and royalty regulations that had a significant impact on company operations and profitability. During his tenure at Forcenergy, Mr. Brush coordinated a \$60 million dollar initial public offering ("IPO") of the company's stock and simultaneously coordinated the merger of the company with a privately held independent oil company.

Mr. Brush has extensive experience in business development activities having worked over nineteen years with several premier independent oil and gas companies including Apache Corporation, Hamilton Brothers Oil Co., The Superior Oil Company and Michigan Wisconsin Pipe Line Company. Areas of experience in this environment include dealing with multinational corporations, various U.S. and foreign government agencies and ministries, opposing counsels, co-venturers, insurers and financial institutions. Mr. Brush's legal experience during this time include joint operating agreements, oil and gas exploration concessions, natural gas, oil, sulfur and liquids sales royalties, processing plant agreements, joint bidding agreements, farmout agreements, settlement agreements, public offerings and private financing, risk management including hedging strategies, acquisitions, divestitures and mergers. Mr. Brush, also has extensive experience marketing oil, natural gas, liquids and sulfur in the United States, Asia, Canada and Europe, having been responsible for marketing over 12,500 barrels of crude oil and 120 million cubic feet of gas production daily that generated annual revenues in excess of \$175 million dollars.

In addition to his domestic experience, Mr. Brush's international experience includes review and negotiation of deals in Albania, Aruba, Australia, Bangladesh, Belize, Brazil, Canada, Cameroon, Chile, Croatia, Dagastan, Ecuador, Egypt, England, Equatorial Guinea, Eritrea, Gabon, Ghana, India, Indonesia, Malaysia, Netherlands, Norway, Peru, Scotland, Suriname, Thailand, Turkey and Venezuela.

John A. Brush graduated from the South Texas College of Law, Houston, Texas with a Juris Doctorate. Mr. Brush completed his undergraduate studies at the University of Michigan, receiving a Bachelor of Arts degree in Political Science. Mr. Brush has been admitted to the State Bar of Texas and is a member of the American Bar Association and the Houston Bar Association. He is also a member of the American Corporate Counsel Association, the American Association of Professional Landmen, the Association of International Petroleum Negotiators, the Natural Gas Association of Houston and New Orleans and the Houston Producers Forum.

**Charles R. Close** - Director - Mr. Close is the owner of Close & Associates, a Certified Public Accounting practice located in Houston, Texas that specializes in the energy industry. The business activities of Close & Associates focus on tax financial reporting issues, federal and state

tax planning and compliance, transaction analysis and support, and federal and state audit support for several large public independent oil and gas companies and drilling and oilfield service companies. Close & Associates also provides full financial support for a privately owned energy service company, including the oversight and preparation of the daily accounting operations, preparation of the monthly financial package, preparation of annual operating budgets, and management of working capital. Other management duties include business development, contract negotiations, and strategic planning.

Prior to starting Close & Associates in 1993, Mr. Close enjoyed a successful tenure at Price Waterhouse in Texas. During his time at Price Waterhouse, Mr. Close advanced from the position of Staff Accountant through the positions of Consultant, Manager and ultimately served as the Senior Tax Manager in the Petroleum Industry Services Group. Responsibilities included tax planning, consultation and compliance for large oil and gas exploration and production companies and for a wide variety of oil field service companies.

Mr. Close graduated from the University of Texas in 1980 with a Bachelor's Degree of Business Administration (Accounting) and is a Certified Public Accountant. He is an active member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants.

**Chris A. Dittmar** - Director, Chief Executive Officer and Corporate Secretary - In addition to serving on the Board of Directors, Mr. Dittmar is currently serving as Chief Executive Officer and Corporate Secretary of EnDevCo, Inc. Mr. Dittmar is also the Chief Executive Officer of Alliance Energy Corporation. Alliance is a privately held corporation currently engaged in oil and gas exploration and production activities, and power development on an international basis.

Mr. Dittmar was the Chairman, President and CEO of Xavier Corporation from 1993-1997. Xavier was an independent exploration and production corporation principally engaged in the acquisition and development of natural resources in the Former Soviet Union ("FSU"). It entered into joint ventures and technical service agreements with Russian entities for the exclusive exploration, development, production, processing and marketing of oil and gas reserves in excess of two billion barrels. While with Xavier, Mr. Dittmar developed the corporate business plan and raised \$100 million dollars of equity and debt equity financing for its implementation. Mr. Dittmar also has extensive experience recruiting and managing senior management teams required to implement large-scale international operations.

Prior to 1993, Mr. Dittmar operated a private investment entity for family oil and gas investments and has held previous positions as Assistant Controller for Occidental Chemical Company and Audit Manager for Occidental Petroleum Corporation as well as a Senior Accountant at Aluminum Company of America.

Mr. Dittmar graduated from Cleveland State University, Cleveland, Ohio with a Juris Doctor. Mr. Dittmar completed his undergraduate studies at Iowa State University graduating with a Bachelor of Science in Economics and Finance. He is an active member in the Association of International Petroleum Negotiators.

**E. Barger Miller III** - Director and Chairman of the Board - Mr. Miller is the President of E.B. Miller & Co., ("Miller & Co."), which provides business development consulting and investment banking/project finance assistance with an emphasis on Latin American projects. Based in

Houston, Texas, Miller & Co. is involved in various international oil and gas projects including a 2,500 barrel per day refinery in Bolivia.

Mr. Miller's experience spans a career of over forty years in all aspects of oil and gas development including experience with Exxon Corporation, USA as an engineer, business analyst and products trader. He has also worked extensively for approximately half of his career in the investment banking and venture capital markets with both private and public institutions with a focus on private placements, project financings, debt and equity financing, leveraged buyouts, divestitures and acquisitions. Additionally, Mr. Miller has served in the position of CEO, President and Director of Minden Oil and Gas, Inc., which was an independent exploration and production company.

Mr. Miller graduated from Northwestern University, Chicago, Illinois with an MBA in Finance and from Stanford University, Palo Alto, California with a B.S. in Chemistry.

**Larry Swift** - Chief Financial Officer and Assistant Corporate Secretary - Mr. Swift is currently serving as Chief Financial Officer and Assistant Corporate Secretary of EnDevCo, Inc. Mr. Swift came to work at EnDevCo, Inc. in October 2000 as Assistant Controller and became Controller in August 2002. Mr. Swift became Chief Financial Officer in September 2003.

Prior to working at EnDevCo, Inc., Mr. Swift worked in public accounting for 9 years primarily doing tax work. Mr. Swift has also held positions as Internal Auditor for Harris County Texas, Field Tax Auditor for the State of Hawaii and Agent for the Nevada Gaming Control Board in Las Vegas, Nevada.

Mr. Swift graduated from Texas Tech with a Master of Science in Accounting in Tax and from the University of Nevada at Reno with a Bachelor of Science in Accounting. Mr. Swift is a Certified Public Accountant.

## SECTION 16(A) BENEFICIAL OWNERSHP REPORTING COMPLIANCE

Richard G. Boyce, John A. Brush, Charles R. Close, Chris A. Dittmar and Larry Swift all filed FORM 5 reports during 2005 concerning receipt of Preferred stock as compensation from the Company.

## ITEM 10. EXECUTIVE COMPENSATION

### DIRECTOR COMPENSATION

Beginning in August 2002, Director's annual compensation has been set at \$30,000, such compensation to be payable with Preferred stock.

### EXECUTIVE COMPENSATION

Executives have no 401(k) or retirement plan through the Company.

The following table reflects executive officer compensation for services to the Company for the year ended December 31, 2004.

SUMMARY COMPENSATION TABLE

NAME/POSITION	YEAR	ANNUAL COMPENSATION		TOTAL CMPSN	LONG TERM COMPENSATION			OTHER
		SALARY	BONUS		RESTRICTED STOCK AWARDS	SECURITIES OPTIONS/SARS	LTIP PAYOUTS	
John W. Adair / CEO	2002	\$ 140,000 (1)	----	\$ 140,000	----	----	---	---
Jalal Alghani / CFO	2002	\$ 140,000 (1)	----	\$ 140,000	----	----	----	----
Richard G. Boyce / COO	2004	\$ 240,000 (2)	----	\$ 240,000				
	2003	\$ 240,000 (2)	----	\$ 240,000	----	----	----	----
	2002	\$ 100,000 (3)	----	\$ 100,000	----	----	----	----
Chris A. Dittmar / CEO	2004	\$ 240,000 (2)		\$ 240,000				
	2003	\$ 240,000 (2)	----	\$ 100,000	----	----	----	----
	2002	\$ 100,000 (3)	----	\$ 100,000	----	----	----	----
Ernest B. Miller IV / Vice President Finance	2004	\$ 105,000 (4)	----	\$ 105,000	----	----	----	----
	2003	----	----	----	----	----	----	----
	2002	----	----	----	----	----	----	----
Larry Swift / CFO	2004	\$ 144,000 (5)	----	\$ 144,000	----	----	----	----
	2003	\$ 144,000 (5)	----	\$ 144,000	----	----	----	----
	2002	\$ 60,000 (6)	----	\$ 60,000	----	----	----	----

(1) 2002 Salary paid in kind with 5,553,594 shares of restricted Common stock for Mr. Adair and Mr. Alghani, which represents amount for seven months of employment beginning on January 1, 2002 and ending with termination of Mr. Adair and Mr. Alghani's employment on August 8, 2002.

(2) 2004 and 2003 Salary paid in-kind with 240,000 shares of Preferred stock for Mr. Boyce and Mr. Dittmar.

(3) 2002 Salary paid in-kind with 100,000 shares of Preferred stock for Mr. Boyce and Mr. Dittmar, which represents amount for five months of employment beginning August 6, 2002 through December 31, 2002.

(4) 2004 Salary paid in-kind with 105,000 shares of Preferred stock for Mr. Miller, which represents amount for seven months of employment beginning June 1, 2004 through December 31, 2004.

(5) 2004 and 2003 Salary paid in-kind with 144,000 shares of Preferred stock for Mr. Swift.

(6) 2002 Salary paid in-kind with 60,000 shares of Preferred stock for Mr. Swift, which represents amount for five months of employment beginning August 6, 2002 through December 31, 2002.

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of January 16, 2004, with respect to the beneficial ownership of shares of Common stock by (i) each person who is known to the Company to beneficially own more than 5% of the outstanding shares of Common stock, (ii) each director of the Company, (iii) each officer of the Company and (iv) all officers and directors of the Company as a group. Unless otherwise indicated, each stockholder has sole voting and investment power with respect to the shares shown.

Title of Class	Name and Address* of Beneficial Owner	Amount and Nature of Beneficial Owner	Percent of Class
Common Stock	Richard G. Boyce - Director, Chief Operating Officer	2,503,752	1.32%
Common Stock	John A. Brush - Director	None	0.0%
Common Stock	Charles R. Close - Director	None	0.0%
Common Stock	Chris A. Dittmar - Director, Chief Executive Officer	None	0.0%
Common Stock	E. Barger Miller III - Director, Chairman of the Board	None	0.0%
Common Stock	Ernest B. Miller IV - Vice President of Finance	25,000	0.01%
Common Stock	Larry Swift - Chief Financial Officer	None	0.0%
Common Stock	John W. Adair - Stockholder	9,895,101	5.22%
Common Stock	Jalal Alghani - Stockholder	8,304,005	4.38%

\* The address for all Officers and Directors is 2425 Fountainview Drive, Suite 215, Houston, TX 77057.

All Officers and Directors of the Company as a group hold 2,528,752 shares of Common stock, which represents 1.33% of the total outstanding shares of Common stock. As of the date of this report, the Company knows of no arrangement or understanding that will result in a change of control within the Company.

The following table sets forth certain information as of January 16, 2005, with respect to the beneficial ownership of shares of Preferred stock by (i) each person who is known to the Company to beneficially own more than 5% of the outstanding shares of Preferred stock, (ii) each director of the Company, (iii) each officer of the Company and (iv) all officers and directors of the Company as a group. Unless otherwise indicated, each stockholder has sole voting and investment power with respect to the shares shown.

Title of Class	Name and Address* of Beneficial Owner	Amount and Nature of Beneficial Owner	Percent of Class
Preferred Stock	Richard G. Boyce - Director, Chief Operating Officer	652,500	12.45%
Preferred Stock	John A. Brush - Director	72,500	1.38%
Preferred Stock	Charles R. Close - Director	72,500	1.38%
Preferred Stock	Chris A. Dittmar - Director, Chief Executive Officer	620,000	11.83%
Preferred Stock	E. Barger Miller III - Director, Chairman of the Board	40,000	0.76%
Preferred Stock	Ernest B. Miller IV - Vice President of Finance	105,000	2.0%
Preferred Stock	Larry Swift - Chief Financial Officer	348,000	6.64%
Preferred Stock	Mirando Energy Corporation	325,515	6.21%

\* The address for all Officers and Directors is 2425 Fountainview Drive, Suite 215, Houston, TX 77057.

All Officers and Directors of the Company as a group hold 1,910,500 shares of Preferred stock, which represents 36.47% of the total outstanding shares of Preferred stock. As of the date of this report, the Company knows of no arrangement or understanding that will result in a change of control within the Company.

## **ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Board of Directors of the Company has adopted a policy that Company affairs will be conducted in all respects by standards applicable to publicly-held corporations and that the Company will not enter into any transactions and/or loans between the Company and its officers or directors.

### **ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K**

1. Exhibits:  
See Index to Exhibits beginning on page 46 of this report.
2. On July 7, 2005, Clyde Bailey P.C., the Company's independent accountant resigned for health and other reasons. On July 8, 2005, the Company appointed Killman, Murrell & Company P.C. as accountants for Fiscal 2004. See registrant's Form 8K filed on July 12, 2005, which is incorporated herein by reference.
3. The following table details the events reported in Fiscal 2004 by the Company on Form 8-K. Each filing is incorporated herein by reference.

Filing Date	Description
06/02/2004	Notice of Restatement of Articles of Incorporation
08/20/2004	Notice of Option Change

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information relating to principal accountant fees and services is set forth under the caption "Directors' Proposal to Appoint a New Independent Public Accountant" on page 15 of the Company's 2004 proxy Statement. Such information is incorporated into this report by reference.

## SIGNATURES

In accordance with the requirements of Section 13 of 15(d) of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 30, 2005.

EnDevCo, Inc.

CHRIS A. DITTMAR

CHRIS A. DITTMAR  
CHIEF EXECUTIVE OFFICER AND DIRECTOR

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons in the capacities and on the dates indicated:

RICHARD G. BOYCE

RICHARD G. BOYCE  
CHIEF OPERATING  
OFFICER AND DIRECTOR

August 30, 2005

JOHN A. BRUSH

JOHN A. BRUSH  
DIRECTOR

August 30, 2005

CHARLES R. CLOSE

CHARLES R. CLOSE  
DIRECTOR

August 30, 2005

CHRIS A. DITTMAR

CHRIS A. DITTMAR  
CHIEF EXECUTIVE  
OFFICER AND DIRECTOR

August 30, 2005

LARRY SWIFT

LARRY SWIFT  
CHIEF FINANCIAL  
OFFICER

August 30, 2005

**FINANCIAL STATEMENTS**  
(RE: PART II. ITEM 7)

EnDevCo, Inc. and Subsidiaries  
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DECEMBER 31, 2004

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
EnDevCo, Inc.  
Houston, Texas

We have audited the accompanying consolidated balance sheet of EnDevCo, Inc. and Subsidiaries (the "Company") as of December 31, 2004, and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EnDevCo, Inc. and Subsidiaries as of December 31, 2004, and the consolidated results of their operations and their cash flows for the year then ended in conformity with United States generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the consolidated financial statements, the Company has suffered recurring losses from operations, has limited capital resources and the need to raise substantial amounts of money to develop the oil and gas leases currently owned raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 10. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Killman, Murrell & Company, P.C.  
KILLMAN, MURRELL & COMPANY, P.C.  
Odessa, Texas  
August 12, 2005

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
EnDevCo, Inc. and Subsidiaries  
Houston, Texas

We have audited the accompanying balance sheet of EnDevCo, Inc. (formerly Adair International Oil & Gas, Inc.) and Subsidiaries (Company) as of December 31, 2003 and the related statements of income and expenses, statement of changes in stockholders' equity, and the statements of cash flows for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with generally accepted standards of the Public Company Accounting Oversight Board (United States). 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 audit provides a reasonable basis for my opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002 and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has limited operations currently and suffered recurring losses from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. This is further explained in the notes to financial statements.

Clyde Bailey, P.C.

San Antonio, Texas  
January 26, 2004

EnDevCo, Inc. and Subsidiaries  
Consolidated Balance Sheet  
December 31, 2004

ASSETS

<u>Current Assets</u>	
Cash	\$ 374
 <u>Property and Equipment</u>	
Oil and gas properties and equipment under full cost method	2,000,000
 Total Assets	 <u><u>\$ 2,000,374</u></u>

LIABILITIES

<u>Current Liabilities</u>	
Accounts payable	\$ 2,581,833
Accrued interest	49,829
Taxes payable	202,521
Accrued expenses	239,073
 Total Current Liabilities	 <u>\$ 3,073,256</u>
 <u>Non-Current Liabilities</u>	
Notes payable	1,350,000
 Total Liabilities	 <u>\$ 4,423,256</u>

STOCKHOLDERS' DEFICIT

<u>"Series A" Convertible Preferred Stock</u>	
10,000,000 shares authorized, \$0.01 par value	
5,238,984 shares outstanding	52,390
<u>Common Stock</u>	
500,000,000 shares authorized, without par value	
197,000,000 shares outstanding	36,305,961
Additional Paid in Capital	5,186,594
Retained Deficit	(43,967,827)
 Total Stockholders' Deficit	 <u>(2,422,882)</u>
 Total Liabilities and Stockholders' Deficit	 <u><u>\$ 2,000,374</u></u>

The accompanying notes are integral part of the consolidated financial statements.

EnDevCo, Inc. and Subsidiaries  
Consolidated Statements of Operations

	Years Ended December 31,	
	<u>2004</u>	<u>2003</u>
<u>Revenues</u>		
Consulting fees	\$ --	\$ 1,512,920
Other revenue	<u>--</u>	<u>499</u>
Total Revenues	--	1,513,419
 <u>Cost of Revenues</u>		
Subcontractors	<u>120,227</u>	<u>1,496,500</u>
Gross Profit	(120,227)	16,919
 <u>Costs and Expenses</u>		
General and administrative	3,740,887	1,132,912
Salaries and wages paid in stock	951,000	1,031,500
Loss on abandonment of assets	<u>1,350,000</u>	<u>2,162,969</u>
Total Expenses	<u>6,041,887</u>	<u>4,327,381</u>
Net Income (Loss) From Operations	\$ (6,162,114)	\$ (4,310,462)
 <u>Other Income and Expenses</u>		
Interest and other income	1,007	5,346
Interest expense	<u>(99,243)</u>	<u>(25,332)</u>
Total Other Income (Expenses)	<u>(98,236)</u>	<u>(19,986)</u>
 Net Income (Loss)	 <u>\$ (6,260,350)</u>	 <u>\$ (4,330,448)</u>
 Basic and Diluted Loss Per Common Share	 <u>\$ (0.04)</u>	 <u>\$ (0.03)</u>
Weighted Average Number of Common Shares		
Used in Basic and Diluted Loss Per Share	<u>172,538,462</u>	<u>150,000,000</u>
Calculations		

The accompanying notes are integral part of the consolidated financial statements.

EnDevCo, Inc. and Subsidiaries  
Consolidated Statements of Changes in Shareholders' Deficit  
For the Years Ended December 31, 2004 and 2003

	Preferred Stock		Common Stock		Additional Paid-In-Capital	Retained Earnings	Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance, December 31, 2002		\$ --	150,000,000	\$ 33,228,461	\$ --	\$ (33,377,029)	\$ (148,568)
Issuances of shares:							
For Salaries & Directors' Fees	1,031,500	10,315			1,021,185		1,031,500
For Company Obligations	1,618,995	16,190			1,602,805		1,618,995
For Investment in Assets	1,500,000	15,000			1,485,000		1,500,000
Net (Loss)						(4,330,448)	(4,330,448)
Balance, December 31, 2003	4,150,495	\$ 41,505	150,000,000	\$ 33,228,461	\$ 4,108,990	\$ (37,707,477)	\$ (328,521)
Issuances of preferred shares:							
For Salaries & Directors' Fees	951,000	9,510			941,490		951,000
For Company Obligations	137,489	1,375			136,114		137,489
Issuance of common shares:							
For Company Obligations			47,000,000	3,077,500			3,077,500
Net (Loss)						(6,260,350)	(6,260,350)
Balance, December 31, 2004	<u>5,238,984</u>	<u>\$ 52,390</u>	<u>197,000,000</u>	<u>\$ 36,305,961</u>	<u>\$ 5,186,594</u>	<u>\$ (43,967,827)</u>	<u>\$ (2,422,882)</u>

The accompanying notes are integral part of the consolidated financial statements.

EnDevCo, Inc. and Subsidiaries  
Consolidated Statement of Cash Flows

	Years Ended December 31	
	<u>2004</u>	<u>2003</u>
<u>Cash Flows From Operating Activities:</u>		
Net Loss	\$ (6,260,350)	\$ (4,330,448)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Issuance of stock for expenses	3,214,989	2,650,495
Issuance of stock for salaries and wages	951,000	--
Changes in assets and liabilities		
Accounts receivable	527,080	--
Investment account	705,812	--
Prepaid expenses	2,364	1,625,851
Unearned revenue	(527,080)	(1,472,920)
Accounts payable	514,231	(852,257)
Joint venture cash calls	--	2,321,441
Taxes payable	39,788	2,232
Accrued interest	49,829	--
Accrued expenses	<u>213,741</u>	<u>38,930</u>
Net cash used in operating activities	\$ (568,596)	\$ (16,676)
<u>Cash Flows From Investing Activities:</u>		
Purchase of oil and gas property	--	(500,000)
Pledged investment account	--	<u>161,282</u>
Net cash used by investing activities	\$ --	\$ (338,718)
<u>Cash Flows From Financing Activities:</u>		
Reduction in notes payable	(781,458)	(144,428)
Increase in notes payable	1,350,000	--
Borrowings under note and credit agreements	--	<u>500,000</u>
Net cash provided by financing activities	<u>\$ 568,542</u>	<u>\$ 355,572</u>
Net increase (decrease) in cash	(54)	178
Cash and cash equivalents		
Cash Balance, Begin Period	<u>428</u>	<u>250</u>
Cash Balance, End Period	<u>\$ 374</u>	<u>\$ 428</u>
Supplemental Cash Flow Information		
Cash paid for interest	--	--
Cash paid for income taxes	--	--
Stock issued for oil and gas leases	--	\$ 1,500,000
Stock issued for services	\$ 4,165,989	\$ 2,650,495

The accompanying notes are integral part of the consolidated financial statements.

**EnDevCo, Inc. and Subsidiaries**  
Notes To Consolidated Financial Statements  
December 31, 2004

**NOTE 1 Summary of Significant Accounting Policies**

Basis of Presentation -- EnDevCo, Inc. (formerly Adair International Oil and Gas, Inc.) was incorporated under the laws of the state of Texas on November 7, 1980. On September 30, 2003, the Company filed a "Restated" Articles of Incorporation with the Secretary of State of the State of Texas to change its name from Adair International Oil and Gas, Inc. to EnDevCo, Inc.

Principles of Consolidation -- The consolidated financial statements include the accounts of EnDevCo, Inc. and its wholly owned subsidiaries, EnDevCo Minerals, Inc., Adair Yemen Exploration Limited, Superior Stock Transfer, Inc., EnDevCo Eureka LLC and Adair Colombia Oil and Gas, S.A. (the "Company") All material inter-Company balances and transactions have been eliminated in consolidation.

Cash and cash equivalents -- The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair value of financial instruments – Management estimates that the carrying value of financial instruments reported in the financial statements approximates their fair values.

Reclassifications – Certain reclassifications were made to the 2003 financial statement presentation in order to conform to the 2004 financial statement presentation.

Oil and Gas Properties -- The Company follows the full cost method of accounting for its oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including directly related overhead costs, are capitalized. All capitalized costs of oil and gas properties, including the estimated future costs to develop proved reserves, are amortized on the unit-of-production method using estimates of proved reserves. Depletion of oil and gas properties is computed using all capitalized costs and estimated future development and abandonment costs, exclusive of oil and gas properties not yet evaluated, on a unit of production method based on estimated proved reserves.

No depreciation and amortization was expensed for the year ending December 31, 2004 and 2003.

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.

**EnDevCo, Inc. and Subsidiaries**  
Notes To Consolidated Financial Statements  
December 31, 2004

**NOTE 1 Summary of Significant Accounting Policies (cont)**

Earnings Per Share -- Basic earnings per share are computed by dividing earnings (loss) by the weighted average number of common shares outstanding.

Diluted earnings per share are computed on the basis of the weighted average number of common shares and dilutive securities outstanding. Dilutive securities having an anti-dilutive effect on diluted earnings per share are excluded from the calculation.

Use of Estimates -- Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Long-Lived Assets – The Company routinely evaluates the carrying value of its long-lived assets. The company records impairment losses when events or circumstances indicate that a long-lived asset's carrying value may not be recovered. The Company recognized impairment losses of \$1,350,000 and \$2,162,969 during the years ended December 31, 2004 and 2003, respectively, in connection with leases it had acquired and was unable to fund or develop.

Newly issued accounting pronouncements – In November 2004, the FASB issued SFAS No. 151, Inventory Costs. SFAS No. 151 is an amendment of Accounting Research Bulletin (“ARB”) No. 43, chapter 4, paragraph 5 that deals with inventory pricing. SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expenses, freight, handling costs and spoilage.

Under previous guidance, paragraph 5 of ARB No. 43, chapter 4, items such as idle facility expense, excessive spoilage, double freight, and re-handling costs might be considered to be so abnormal, under certain circumstances, as to require treatment as current period charges. This Statement eliminates the criterion of “so abnormal” and requires that those items be recognized as current period charges. Also, SFAS No. 151 requires that allocation of fixed production overheads to the cost of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005. The Company is analyzing the requirements of SFAS No. 151 and believes that its adoption will not have any significant impact on the Company's financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment. SFAS No. 123R is a revision of SFAS No. 123, Accounting for Stock-Based Compensation, and supercedes APB 25. Among other items, SFAS No. 123R eliminates the use of APB 25 and the intrinsic value method of accounting and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards in the financial statements.

**EnDevCo, Inc. and Subsidiaries**  
Notes To Consolidated Financial Statements  
December 31, 2004

**NOTE 1 Summary of Significant Accounting Policies (cont)**

The effective date of SFAS No. 123R is the first reporting period beginning after June 15, 2005, and the Company expects to adopt SFAS No. 123R effective July 1, 2005. SFAS No. 123R permits companies to adopt its requirements using either a “modified prospective” method, or a “modified retrospective” method. Under the “modified prospective” method, compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS No. 123R for all share-based payments granted after that date and based on the requirements of SFAS No. 123 for all unvested awards granted prior to the effective date of SFAS 123R. Under the “modified retrospective” method, the requirements are the same as under the “modified prospective” method, but also permits entities to restate financial statements of previous periods based on proforma disclosures made in accordance with SFAS No 123. The Company is currently evaluating the appropriate transition method. Through December 31, 2004, the Company had not had any stock-based compensation awards.

**NOTE 2 - Oil & Gas Operations**

**Gulf of Mexico Option** - On December 28, 2003, the Company entered into an agreement with Pine Curtain Production Company, LLC wherein the Company has the option to participate in an undivided interest of 50% of the seller's undivided interest in Eugene Island Block 294 and Chandeleur Block 14. This option expired on June 30, 2005, but was renewed, on July 27, 2005 by entering into a farm-in agreement with BT Operating Co wherein the Company will participate in the drilling and completion of one well in Eugene Island Block 294.

**Rio Magdalena Option-** On September 25, 2003, the Company purchased from Harvest Production Company, LLC an option to participate in the acquisition and processing of 101 kilometers of 2D seismic, and a continuing option to participate on a joint venture basis in wells to be drilled after the interpretation of that seismic on their Rio Magdalena Association Contract comprising 58,546 hectares (144,600 acres) situated in the Upper Magdalena River region of Colombia. On June 25, 2005 the Company purchased an option from Harvest Production Company, LLC to purchase 50% of seller's interest in the assets covered by the September 25, 2003 option, proven undeveloped reserves in the block and Seller's proprietary data previously acquired over the lease acreage described above, in consideration of the Company securing financing for development. This option expires June 30, 2007.

**EnDevCo, Inc. and Subsidiaries**  
Notes To Consolidated Financial Statements  
December 31, 2004

**NOTE 3 - Industrial Free Trade Zone (IFTZ), Republic of Congo**

The Company signed a contract with the Republic of Congo in 2001 to develop an Industrial Free Trade Zone ("IFTZ"). The original premise of the concept for development of the IFTZ would be fueled by utilizing "associated" natural gas that is currently being flared offshore of the Republic of Congo. The natural gas could be converted to electrical power, which is the first step to industrial development. West African countries desperately need industrial products to support economic development. Most have been importing these products from Europe and the United States. It is envisioned that many of these products, including cement, fertilizers, plastics, manufactured steel and wood products and other industrial products could be produced in the IFTZ.

The IFTZ contract provided for initial funding of \$2 million USD to conduct a feasibility study of gas utilization in the Republic of Congo. An additional amount payable under the contract, of up to \$3 million USD is scheduled to be received by the Company upon the signed commitment of each new industrial partner that commits to develop an industrial sector in the IFTZ. Payments are to be made to the Company by the Republic of Congo at the rate of \$500,000 per industrial sector commitment if and when the Company successfully receives a signed commitment from a new industrial partner. During 2002, the Company received initial funding in the amount of \$1,472,920 and entered into a contract with a consulting services company to provide the technical and administrative employees and equipment necessary to perform the aforementioned study for a turnkey lump sum amount of \$1,750,000. The Company has paid the consulting services company an amount of \$1,629,773 to date. The Company owes the consulting services company an additional \$120,227 on the contract.

**NOTE 4 - Non-monetary Stock Transactions**

Included in the Company's consolidated statement of operations for the periods ended December 31, 2004 and December 31, 2003 were expenses that were paid with Company stock. The Company issued stock in lieu of cash in transactions summarized as follows for the year ended December 31, 2004 and 2003.

	December 31, 2004			December 31, 2003	
	Common	Preferred	Value	Preferred	Value
For Salaries	--	951,000	\$ 951,000	1,031,500	\$ 1,031,500
Other Services	47,000,000	137,489	3,214,989	1,618,995	1,618,995
Investment	--	--	--	1,500,000	1,500,000
<b>Total</b>	<b>47,000,000</b>	<b>1,088,489</b>	<b>\$ 4,165,989</b>	<b>4,150,495</b>	<b>\$ 4,150,495</b>

#### **NOTE 4 - Non-monetary Stock Transactions (cont)**

The fair value of the Company's common stock issued for services was deemed to be the closing trading price of the Company's common stock on the date of issuance. The Company established pay rates for all its employees and directors and these wages were paid by the issuance of preferred stock on the basis of one share of preferred stock for each dollar of accrued wages. Certain expenses were paid with preferred stock, by the issuance of one share of preferred stock for each dollar of billed expense.

#### **NOTE 5 Revenues**

The company recognized \$1,472,920 in revenue from the Congo project, received consulting income in the amount of \$40,000 and royalty income in the amount of \$499 during the year ended December 31, 2003.

#### **NOTE 6 Preferred Stock**

The Board of Directors passed a Corporate Resolution that reads, "Pursuant to and in accordance with Article 2.13 of the Texas Business Corporation Act of the State of Texas the Company does hereby certify that, pursuant to the authority conferred on the Board of Directors by the Articles of Incorporation of the Corporation, and pursuant and in accordance with Article 2.13 of the Texas Business Corporation Act of the State of Texas, said Board of Directors, pursuant to unanimous written consent dated December 9, 2002, duly adopted a resolution providing for the authorization and issuance of 5,000,000 shares of "Series A" Convertible Preferred Stock, \$0.01 par value per share (the "Series A" Preferred Stock). At the annual shareholders meeting held on October 15, 2004, the shareholders approved an increase in the total number of authorized "Series A" convertible preferred shares with a \$0.01 par value to 10,000,000. As of December 31, 2004 and 2003 there were 5,238,984 and 4,150,495 shares outstanding.

Each share of "Series A" Preferred Stock outstanding shall at the sole election of the holder be converted into fully paid and non-assessable shares of Common Stock of the Corporation at a conversion rate of 1,000 shares of Common Stock for each share of "Series A" Preferred Stock. The holders of the issued and outstanding shares of Preferred Stock shall have the equivalent of 1,000 Common Stock votes for each share of "Series A" Preferred Stock.

If all preferred shareholders wanted to convert, the Company would execute a reverse stock split which has already been approved by the shareholders at the annual general shareholders meeting held on October 15, 2004.

During the year ended December 31, 2004 a total of 1,088,489 shares of preferred stock was issued and recorded at the rate of \$1.00 per share as approved by the Board of Directors. The shares were issued for salaries and directors' fees and other Company obligations.

**EnDevCo, Inc. and Subsidiaries**  
Notes To Consolidated Financial Statements  
December 31, 2004

**NOTE 7 Commitments and Contingencies**

Legal Proceedings for the Year Ended December 31, 2004:

**Adair International Oil & Gas, Inc. vs. Chase Mellon Shareholder Services, Inc., Mellon Investor Services, LLC., U.S. Stock Transfer Corporation, Thomas Kernaghan & Co., Union Securities, Ltd., Merrill, Lynch, Hubbard, Inc., Tatiana Roa, Braden, Bennick, Goldstein, Gazaway & Co., Jack Sisk & Co., Jackson & Rhodes, P.C., Malone and Bailey, PLLC, John W. Adair, Jalal Alghani and Vivian Quintero - Cause No. 2001-63909, 55th District Court, Harris County, Texas.**

The Company's claims in the suit against John W. Adair ("Adair"), Jalal Alghani ("Alghani") and Vivian Llerena Quintero ("Quintero") involve allegations of fraud, conspiracy and breach of fiduciary duties owed to the Company by Mr. Adair and Mr. Alghani while they were Officers and Directors of the Company prior to their removal from the Board of Directors at the Company's annual shareholders meeting on August 5, 2002. The Company's claims in the suit against Ms. Quintero involve allegations of fraud, conspiracy and breach of fiduciary duties while she was employed by the Company as office manager and personal assistant to Mr. Adair when he was Chairman and CEO of the Company.

After the Company's claims were filed in the suit, Mr. Adair, Mr. Alghani and Ms. Quintero filed "counter claims" against the Company on November 9, 2002 alleging standing to sue as shareholders of the Company. Mr. Adair, Mr. Alghani and Ms. Quintero also filed the above described "counter claims" against Richard G. Boyce, Larry Swift, Gene Ackerman, David Crandall, Chris A. Dittmar, John A. Brush, Charles R. Close, and Shareholders Committed to Restoring Equity Group, Inc. ("SCORE Group").

The Company subsequently filed a motion for summary judgment on April 29, 2003 and the Court on July 11, 2003, and again by clarified ruling on September 23, 2003, ordered the Company's motion for summary judgment be granted as to all claims in Defendant's / Counter Plaintiff's second amended petition, including the claim of conspiracy to commit defamation, with the exception of the common law defamation claim against the Company, SCORE Group and Mr. Boyce. The Company has denied the allegation and the Board of Directors has determined it is the best interest of the Company to assume the defense of SCORE Group and Mr. Boyce and to indemnify same in its defense of this sole remaining allegation filed by Mr. Adair, Mr. Alghani and Ms. Quintero.

The Company on August 23 and September 4, 2003 filed amended petitions adding the additional Defendants Chase Mellon Shareholder Services, Inc., Mellon Investor Services, LLC, U.S. Stock Transfer Corporation, Union Securities, Ltd., Merrill, Lynch, Pierce, Fenner & Smith, Inc., Tatiana Roa, Braden, Bennick, Goldstein, Gazaway, & Co., Jack Sisk & Co, Jackson & Rhodes, P.C., John W. Adair, Jalal Alghani and Vivian Llerena Quintero and their co-conspirators, jointly and severally, and in favor of the Company for the sum of up to five hundred million dollars (\$ 500,000,000) in actual damages and punitive damages against each of

**EnDevCo, Inc. and Subsidiaries**  
Notes To Consolidated Financial Statements  
December 31, 2004

**NOTE 7 Commitments and Contingencies (cont)**

said Defendants as assessed by the jury and for such other and further relief to which the Company may show to be justly entitled.

Discovery in this case was ongoing before the change of control of the Company occurred as a result of the Annual Shareholders Meeting on August 5, 2002. Since that time and as a result of adding additional parties to the lawsuit as described in the preceding paragraph, extensive additional discovery regarding the facts of this case have been undertaken by the new parties to the lawsuit. The Company and Mr. Boyce have provided responses to all requested discovery. The Company will continue to vigorously pursue this case and has engaged expert witnesses to provide testimony regarding certain aspects of this case. The Court has set a trial date for February 2006.

On February 11, 2005, the Company executed a Stock Purchase, Settlement, And Mutual Release And Indemnity Agreement only with John W. Adair, Jalal Alghani and Vivian Llerena Quintero. On June 17, 2005, the Company executed a Compromise Settlement Agreement And Mutual Release with Jackson & Rhodes, P.C. ("Jackson") and a Settlement Agreement And General Release with U.S. Stock Transfer Corporation ("USST"). Jackson and USST paid a combined total cash payment of \$395,000. The Company received \$233,893 net of expenses of \$161,107. The entire amount was paid out for expense reimbursements. See Forms 8-K filed February 16, 2005 and June 29, 2005. The Company is now the sole plaintiff and is pursuing its claims against all other defendants.

The Company is a party to various claims and litigation. Although no assurances can be given, the Company believes, based on its experience to date, that the ultimate resolution of such items, individually or in the aggregate, would not have a material adverse impact on the Company's financial position or results of operations.

**Concentrations**

The Company maintains a cash balance at a financial institution. At certain times, the Company's cash balances exceed the federally insured amounts. The Company has not experienced losses relating to its cash.

The Company's current and contemplated activities are in the areas of oil and gas exploration and production, and power generation. Federal, state and local laws and regulations have been enacted regulating these activities. Moreover, "toxic tort" litigation has increased markedly in recent years as persons allegedly injured by chemical contamination seek recovery for personal injuries or property damage. These legal developments present a risk of liability should the Company be deemed to be responsible for contamination or pollution. There can be no assurance that the Company's policy of establishing and implementing proper procedures for complying with environmental regulations will be effective at preventing the Company from incurring a substantial environmental liability. If the Company were to incur a substantial uninsured liability for environmental damage, its financial condition could be materially adversely affected.

**EnDevCo, Inc. and Subsidiaries**  
Notes To Consolidated Financial Statements  
December 31, 2004

**NOTE 8 - Supplemental Oil and Gas Information (Unaudited)**

Costs Incurred and Capitalized Costs in Oil and Gas Producing Activities are as follows:

Description	Harvest	Pine Curtain	Yemen	Sicily	Total
Total, December 31, 2002	\$ --	\$ --	\$4,368,377	\$ --	\$4,368,377
Oil and Gas Properties	\$1,000,000	\$1,000,000	\$ --	\$ --	\$2,000,000
Prepaid Legal Expense	--	--	180,365	--	180,365
Less Accumulated Depl/Depr	--	--	--	--	--
Less Impairment Loss	--	--	(4,548,742)	--	(4,548,742)
Total, December 31, 2003	\$1,000,000	\$1,000,000	\$ --	\$ --	\$2,000,000
Oil and Gas Properties	\$1,000,000	\$1,000,000	\$ --	\$ 1,350,000	\$3,350,000
Less Accumulated Depletion/Depreciation	--	--	--	--	--
Loss on Abandonment	--	--	--	(1,350,000)	(1,350,000)
Total, December 31, 2004	<u>\$1,000,000</u>	<u>\$1,000,000</u>	\$ --	\$ --	<u>\$2,000,000</u>

On September 25, 2003, the Company purchased from Harvest Production Company, LLC an option to participate in the acquisition and processing of 101 kilometers of 2D seismic, and a continuing option to participate on a joint venture basis in wells to be drilled after the interpretation of that seismic on their Rio Magdalena Association Contract comprising 58,546 hectares (144,600 acres) situated in the Upper Magdalena River region of Colombia.

On December 28, 2003, the Company entered into an agreement with Pine Curtain Production Company, LLC wherein the Company has the option to participate in an undivided interest of 50% of the seller's undivided interest in Eugene Island Block 294 and Chandeleur Block 14.

**EnDevCo, Inc. and Subsidiaries**  
Notes To Consolidated Financial Statements  
December 31, 2004

**NOTE 9 - Earnings Per Share**

The following reconciles the components of the earnings per share (EPS) computation:

	2004			2003		
	(Loss)	Common Shares	Loss Per Share	(Loss)	Common Shares	Loss Per Share
Net Income	(\$6,260,350)	197,000,000	(\$.03)	(\$4,330,448)	150,000,000	(\$.03)
Effect of Dilutive Securities:						
"Series A" Preferred Stock						
	(\$6,260,350)	197,000,000	(\$.03)	(\$4,330,448)	150,000,000	(\$.03)

During the years ended December 31, 2004 and 2003 a total of 5,238,984 shares of preferred stock was issued and recorded at the rate of \$1.00 per share as approved by the Board of Directors. Each share of "Series A" Preferred Stock which is then outstanding shall at the sole election of the holder be converted into fully paid and non-assessable shares of Common Stock of the Corporation at a conversion rate of 1,000 shares of Common Stock for each share of "Series A" Preferred Stock. These shares are not included in the calculation of diluted EPS as they would be considered anti-dilutive.

**NOTE 10- Going Concern**

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. In 2004, the Company borrowed \$1,350,000 and used the funds to purchase an oil and gas lease in Sicily and subsequently lost the lease due to the Company's inability to raise an additional \$38,150,000 in drilling and development funds. The Company must raise a minimum of \$5,000,000 to drill and develop the two leases currently owned. The Company is currently in the process of raising the required funds, but there can be no assurance, that funds can be secured. The Company is currently in default on numerous contracts, leases and judgments. The matters described above raise substantial doubt about the Company's ability to continue as a going concern.



## **EnDevCo, Inc. and Subsidiaries**

December 31, 2004

### INDEX TO EXHIBITS

- 3(i) Restatement of the Articles of Incorporation, as restated September 19, 2003 incorporated by reference to the registrant's Form 8K filed on June 2, 2004.
- 3(ii) Bylaws, as revised to May 1, 2004, see page 46 of this report.
- 16 Letter on Change in Certifying Accountant incorporated by reference to the registrant's Form 8K filed on July 12 2005.
- 21 Subsidiaries of the Registrant, see page 65 of this report.
- 31.1 Certification per Rule 13a-14(a) by Chief Executive Officer, see page 66 of this report.
- 31.2 Certification per Rule 13a-14(a) by Chief Financial Officer, see page 68 of this report.
- 32.1 Certification per Section 1350 by Chief Executive Officer, see page 70 of this report.
- 32.2 Certification per Section 1350 by Chief Financial Officer, see page 71 of this report.

# **EnDevCo, Inc.**

## **Corporate Bylaws**

### **ARTICLE ONE OFFICES**

#### **1.01 Registered Office.**

The registered office of the Corporation is located at 2425 Fountainview Drive, Suite 215, Houston, Texas 77057.

#### **1.02 Registered Agent.**

The name of the registered agent of the Corporation at such address is Larry Swift.

#### **1.03 Other Offices.**

The Corporation may also have offices at such other places, within or without the State of Texas, where the Corporation is qualified to do business, as the Board of Directors may from time to time designate; or the business of Corporation may require.

### **ARTICLE TWO SHAREHOLDER'S MEETING**

#### **2.01 Place of Meetings.**

Meetings of shareholders shall be held at any place within or without the State of Texas designated by the Board of Directors pursuant to authority hereinafter granted to the Board, or by the written consent of all persons entitled to vote thereat. In the absence of any such designation, shareholder's meetings shall be held at the registered office of the Corporation. Any meeting is valid whenever held, if held pursuant to the written consent of all the persons entitled to vote thereat, given either before or after the meeting, and filed with the Secretary of the Corporation.

#### **2.02 Time of Annual Meeting, Business Transacted.**

The annual meeting of shareholders shall be held on or before the second Tuesday in November of each year, at the hour of 10:00 o'clock a.m., provided, however, that should said day fall on a legal holiday, then at the same time on the next business day thereafter. At such meetings Directors shall be elected, reports of the affairs of the Corporation shall be considered, and any other business may be transacted which is within the powers of the shareholders.

#### **2.03 Notice of Meetings.**

##### **1) Notice of Meeting to All Shareholders.**

Notice of all meetings of shareholders shall be given in writing to shareholders entitled to vote by the Chief Executive Officer or the Corporate Secretary, or by the officer or person calling the meeting, or, in case of his neglect or refusal, or if there is no person charged with the duty of giving notice, by any Director or Shareholder. The notice shall be given to each shareholder, either personally or by prepaid mail, addressed to the shareholder at his address appearing on the transfer books of the Corporation.

## **2) Time of Notice.**

Notice of any meeting of shareholders shall be sent to each shareholder entitled thereto not less than ten (10) nor more than fifty (50) days before the meeting, except in the case of a meeting for the purpose of approving a merger or consolidation agreement, in which case the notice must be given not less than twenty (20) days prior to the date of the meeting

## **3) Contents of Notice.**

Notice of any meeting of shareholders shall specify the place, date, and hour of the meeting. The notice shall also specify the purpose of the meeting if it is a special meeting, or if its purpose, or one of its purposes, will be to consider a proposed amendment of the Articles of Incorporation, to consider a proposed reduction of stated capital without amendment, to consider a proposed merger or consolidation, to consider a voluntary dissolution or the revocation of a voluntary dissolution by act of the Corporation, or to consider a proposed disposition of all, or substantially all, of the assets of the Corporation outside of the ordinary course of business.

## **(4) Notice of Adjourned Meeting.**

When a shareholders' meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days, it is not necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which the adjournment is taken.

## **2.04 Special Meetings.**

### **(1) Calling of Special Meetings.**

Upon request in writing to the Chief Executive Officer, Chief Operating Officer, or Corporate Secretary, sent by registered mail or delivered to the officer in person, by any persons entitled to call a meeting of shareholders, the *officer* forthwith shall cause notice to be given to the shareholders entitled to vote that a meeting will be held at a time, fixed by the officer, not less than ten (10) days after the receipt of the request. If the notice is not given within seven (7) days after the date of delivery, or the date of mailing of the request, the person calling the meeting may fix the time of meeting and give the notice in the manner provided in these bylaws. Nothing contained in this section shall be construed as limiting, fixing, or affecting the time or date when a meeting of shareholders called by action of the Board of Directors may be held.

### **(2) Person Entitled to Call Special Meetings.**

Special meetings of the shareholders, for any purpose whatsoever, may be called at any time by any of the following: (1) the Chief Executive Officer; (2) the Board of Directors; (3) one or more shareholders holding not less than one tenth of all the shares entitled to vote at the meetings; (4) the Executive Committee.

## **2.05 Meeting Quorum.**

### **1) Quorum of Shareholders.**

The presence in person or by proxy of the persons entitled to vote a majority of the voting shares at any meeting constitutes a quorum for the transaction of business.

### **2) Adjournment for Lack or Loss of Quorum.**

In the absence of a quorum or the withdrawal of enough shareholders to leave less than a quorum, any meeting of shareholders may be adjourned from time to time by the vote of a

majority of the shares, the holders of which are either present in person or represented by proxy thereat, but no other business may be transferred.

## **2.06 Closing Transfer Books.**

### **1) Determination of Entitled Shareholders.**

For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the share transfer books shall be closed for a stated period not to exceed in any case, fifty (50) days. If the transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting.

### **2) Record Date of Determination of Shareholders.**

In lieu of closing the share transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than fifty (50) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of shareholders is to be taken before the day preceding the election at which such votes will be counted.

## **2.07 Voting by Voice and Ballot.**

Elections for Directors need not be by ballot unless a shareholder demands election by ballot at the election and before the voting begins.

## **2.08 Proxies.**

A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and in no event shall it remain irrevocable for a period of more than eleven (11) months.

## **2.09 Waiver of Notice.**

Any notice required by law or these bylaws may be waived by the execution by the person entitled to the notice of a written waiver of such notice, which may be signed before or after the time stated in the notice.

## **2.10 Action Without Meeting.**

Any action which, under any provision of the Texas Business Corporation Act, may be taken at a meeting of the shareholders may be taken without a meeting if authorized by a writing signed by all of the persons who would be entitled to vote on such action at a meeting, and filed with the Secretary of the Corporation. Any such signed consent, or a signed copy thereof, shall be placed on the minute books of the Corporation.

## **2.11 Inspector of Election.**

### **1) Appointment of Inspectors of Election.**

In advance of any meeting of shareholders, the Board of Directors may appoint any persons, other than nominees for office, as inspectors of election to act at such meeting or any adjournment thereof. If inspectors of election are not so appointed the chairman of any such meeting may, and on the request of any shareholder or his proxy shall, appoint inspectors of election at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting on the request of one or more shareholders or proxies, the majority of shares present shall determine whether one or three inspectors are to be appointed. In case any person

appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the Board of Directors in advance of the meeting, or at the meeting by the person acting as chairman.

### **2) Duties of Inspectors.**

The inspectors of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity, and effect of proxies, receive notes, ballots, or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine the result, and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical.

### **3) Vote of Inspectors.**

If there are three inspectors of election the decision, act, or certificate of a majority is effective in all respects as the decision, act or certificate of all.

### **4) Report of Inspectors.**

On request of the chairman of the meeting or of any shareholder or his proxy, the inspectors shall make a report in writing of any challenge or question or matters determined by them and execute a certificate of any fact found by them. Any report or certificate made by them is prima facie evidence of the facts stated therein.

## **2.12 Conduct of Meetings.**

At every meeting of the shareholders, the Chief Executive *Officer*, or in his absence, the Chief Operating Officer as designated by the Chief Executive Officer, or in the absence of such designation, a chairman chosen by a majority in interest of the shareholders of the Corporation present in person or by proxy and entitled to vote, shall act as chairman. The Secretary of the Corporation, or in his or her absence, an Assistant Secretary, shall act as Secretary of all meetings of the shareholders. In the absence at such meeting of the Corporate Secretary or Assistant Secretary, the chairman may appoint another person to act as Secretary of the meeting.

## **ARTICLE THREE DIRECTORS**

### **3.01 Directors Defined.**

"Directors" when used in relation to any power or duty requiring collective action, means "Board of Directors."

### **3.02 Powers.**

The business and affairs of the Corporation and all corporate powers shall be exercised by or under authority of the Board of Directors, subject to limitation imposed by the Texas Business Corporation Act, the Articles of Incorporation, or these bylaws as to action which requires authorization or approval by the shareholders.

### **3.03 Number of Directors.**

The number of Directors, which shall constitute the whole Board of Directors shall not be less than three (3), nor more than fifteen (15). The Board of Directors shall consist of five (5)

Directors, and, thereafter, within the limits above specified, the number of Directors shall be determined only by the shareholders at the regular Annual Meeting.

### **3.04.1 Term of Office.**

The Directors shall each serve for a term of three (3) years unless elected by the shareholders to serve a shorter term. Directors shall be divided into three classes (each class to contain no more than two members) with terms that expire at successive Annual Meetings. One class of Directors shall be elected annually by the shareholders at the Annual Meeting. Directors shall serve the Corporation until a successor has been elected and qualified, or until the earliest of their death, resignation or retirement.

### **3.05 Board of Director Vacancies.**

#### **1) Vacancies.**

Vacancies in the Board of Directors shall exist in the case of the happening of any of the following events: (a) the death, resignation, or removal of any Directors; (b) the authorized number of Directors is increased; or (c) at any annual, regular, or special meeting of shareholders at which any Director is elected, the shareholders fail to elect the full authorized number of Directors to be voted for at that meeting.

#### **2) Declaration of Vacancy.**

The Board of Directors may declare vacant the office of a Director in either of the following cases: (a) if he is adjudged incompetent by an order of court, or finally convicted of a felony; or (b) if within sixty (60) days after notice of his election, he does not accept the office either in writing or by attending a meeting of the Board of Directors.

#### **3) Filling Vacancies by Directors.**

Vacancies may be filled by a majority of the remaining Directors, though less than quorum, or by a sole remaining Director. Each Director so elected shall hold office until his successor is elected at an annual, regular, or special meeting of the shareholders.

#### **4) Filling Vacancies by Shareholders.**

The shareholders may elect a Director at any time to fill any vacancy not filled by the Directors. If the Board of Directors accepts, the resignation of a Director tendered to take effect at a future time, the Board or the shareholders may elect a successor to take office when the resignation becomes effective.

#### **5) Reduction of Authorized Number of Directors.**

A reduction of the authorized number of Directors does not remove any Director prior to the expiration of his term of office.

### **3.06 Removal of Directors.**

The entire Board of Directors or any individual Director may be removed from office by a vote of shareholders holding a majority of the outstanding shares entitled to vote at an election of Directors. However, unless cumulative voting has been denied by statute or by the Articles of Incorporation, and if less than the entire Board is to be removed, no one of the Directors may be removed if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors. If any or all Directors are so removed, new Directors may be elected at the same meeting.

### **3.07 Place of Meetings.**

Regular meetings of the Board of Directors shall be held at any place within or without the State of Texas which has been designated from time to time by resolution of the Board or by written consent of all members of the Board. In the absence of such designation, regular meetings shall be held at the registered office of the Corporation. Special meetings of the Board may be held either at a place so designated or at the registered office. Any regular or special meeting is valid, wherever held, if held on written consent of all members of the Board given either before or after the meeting and filed with the Secretary of the Corporation.

### **3.08 Regular Meetings.**

#### **1) Regular Meetings.**

Regular meetings of the Board of Directors shall be held on the first Tuesday in November of each year, or at such other time and place as shall from time to time be determined by the Board.

#### **2) Call of Regular Meetings.**

All regular meetings of the Board of Directors of this Corporation shall be called by the Chief Executive Officer, or, if he is absent or is unable or refuses to act, by the Chief Operating Officer or by any Director.

#### **3) Notice of Regular Meetings.**

Written notice of the time and place of the regular meetings of the Board of Directors shall be delivered personally to each Director, or sent to each Director by mail or by other form of written communication at least seven (7) days before the meeting. If the address of a Director is not shown on the records and is not readily ascertainable, notice shall be addressed to him at the city or place in which the meetings of the Directors are regularly held. Notice of the time and place of holding an adjourned meeting of a meeting need not be given to absent Directors if the time and place are fixed at the meeting adjourned.

#### **4) Validation of Meeting Defectively Called or Noticed.**

The transactions of any meeting of the Board of Directors, however, called and noticed or wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present, and if, either before or after the meeting, each of the Directors not present signs a waiver of notice, a consent to holding the meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance by a Director at a meeting shall constitute a waiver of notice of the meeting, unless the express purpose for such attendance is to present the objection that the meeting is not lawfully called or convened.

### **3.09 Call of Special Meeting.**

#### **1) Call of Special Meeting.**

Special meetings of the Board of Directors of this Corporation shall be called by the Chief Executive Officer, or, if he is absent or is unable or refuses to act, by the Chief Operating Officer or by any Director.

#### **2) Notice of Special Meetings.**

Written notice of the time, place, and purpose of special meetings of the Board of Directors shall be delivered personally to each Director, or sent to each Director by mail or by other form of written communication, at least seven (7) days before the meeting. If the address of a Director is not shown on the records and is not readily ascertainable, notice shall be addressed to him at the city or place in which the meetings of the Directors are regularly held. Notice of

the time and place of holding an adjourned meeting of a meeting need not be given to absent Directors if the time and place are fixed at the meeting adjourned.

### **3.10 Quorum.**

A majority of the authorized number of Directors constitutes a quorum of the Board for the transaction of business.

### **3.11 Majority Action.**

Every act or decision done or made by a majority of the Directors present at any meeting duly held at which a quorum is present is the act of the Board of Directors, unless an act of a greater number is required by the Articles of Incorporation or these bylaws. Each Director who is present at a meeting will be deemed to have assented to any action taken at such meeting unless his dissent to the action is entered in the minutes of the meeting, or unless he shall file his written dissent thereto with the Secretary of the meeting or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after such meeting.

### **3.12 Action by Consent of Board without Meeting.**

Any action required or permitted to be taken by the Board of Directors under any provision of the Texas Business Corporation Act may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors. Any certificate or other document filed under any provision of the Texas Business Corporation Act which relates to action so taken shall state that the action was taken by unanimous written consent of the Board of Directors without a meeting and that these bylaws authorize the Directors to so act, and such statements shall be prima facie evidence of such authority.

### **3.13 Adjournment**

#### **1) Lack of Quorum.**

In the absence of a quorum, a majority of the Directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board.

#### **2) Notice of Adjourned Meeting.**

Notice of the time and place of holding an adjourned meeting of a meeting need not be given to absent Directors if the time and place are fixed at the meeting adjourned.

### **3.14 Conduct of Meetings.**

At every meeting of the Board of Directors, the Chairman of the Board of Directors, if there shall be such an officer, and if not, the Chief Executive Officer, or in his absence, the Chief Operating Officer, or another officer designated by him, or in the absence of such designation, a chairman chosen by a majority of the Directors present, shall preside. The Corporate Secretary shall act as Secretary of the Board of Directors. In case the Secretary shall be absent any meeting, the Chairman may appoint any person to act as Secretary of the meeting.

### **3.15 Compensation.**

Directors shall receive such compensation for their services as Directors as shall be determined from time to time by resolution of the Board. Any Directors may serve the Corporation in any other capacity as an officer, agent, and employee or otherwise and receive compensation therefore.

### **3.16 Indemnification of Directors and Officers.**

The Board of Directors shall authorize the Corporation to pay or reimburse any present or former Director or Officer of the Corporation any costs or expenses actually and necessarily incurred by him in any action, suit or proceeding to which he is made a party by reason of his holding such position; provided, however, that he shall not receive such indemnification if he be finally adjudicated therein to be liable for negligence or misconduct in office. The indemnification herein provided shall also extend to good faith expenditures incurred in anticipation of, or preparation for, threatened or proposed litigation. The Board of Directors may, in proper cases, extend the indemnification to cover the good faith settlement of any such action, suit, or proceeding, whether formally instituted or not.

### **3.17 Interested Directors.**

Any contract or other transaction between the Corporation and any of its Directors (or any Corporation or firm in which any of its Directors is directly or indirectly interested) shall be valid for all purposes notwithstanding the presence of such Director at the meeting authorizing such contract or transaction, or his participation in such meeting. The foregoing shall, however, apply only if the interest of each such Director is known or disclosed to the Board of Directors and it shall nevertheless authorize or ratify such contract or transaction by a majority of the Directors present, each such interested Director to be counted in determining whether a quorum is present but not in calculating the majority necessary to carry such vote. This section shall not be construed to validate any contract or transaction which would be valid in the absence of this paragraph.

### **3.18 Executive Committee.**

The Board of Directors may at any time appoint from among its members an Executive Committee and one or more other committees, each of which so appointed shall have such power and authority to conduct the business and affairs of the Corporation as is vested by law, the Articles of Incorporation, and these bylaws in the Board of Directors as a whole, except that it may not take any action that is specifically prohibited to the Board of Directors by statute or that is specifically required by statute to be taken by the entire Board of Directors. Members of the Executive Committee shall receive such compensation as the Board of Directors may from time to time provide. Each Director shall be deemed to have assented to any action of the Executive Committee unless he shall, within seven (7) days after receiving actual or constructive notice of such action, deliver his written dissent thereto to the Secretary of the Corporation. Members of the Executive Committee shall serve at the pleasure of the Board of Directors.

### **3.19 Other Committees.**

The Board of Directors, by an affirmative vote of a majority of the members constituting the Board of Directors, may appoint other committees which shall have and may exercise such powers as shall be conferred or authorized by resolution of the Board. A majority of any such committee may determine its action and fix the time and place of its meetings unless the Board of Directors shall otherwise provide. The Board of Directors, by such affirmative vote, shall have power at any time to change the powers and members of any such committees, to fill vacancies, and to dispose of any such committee.

### **3.20 Conduct of Committee Meetings.**

In accordance with Article 9.10(c) of the Texas Business Corporation Act and subject to the provisions of these bylaws with respect to notice of meetings, shareholders, members of the Board of Directors or members of any committee designated by the Board of Directors or members of any committee designated by the Board of Directors may participate in, and hold

a meeting of, such shareholders, Board of Directors or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

## **ARTICLE FOUR**

### **OFFICERS**

#### **4.01 Number and Titles.**

The officers of the Corporation shall be a President and Chief Executive *Officer* (herein the "Chief Executive Officer"), a Chief Operating Officer, a Chief Financial Officer, and a Corporate Secretary. The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more additional Vice Presidents, one or more Assistant Corporate Secretaries, one or more Assistant Financial Officers, and such other officers as may be appointed in accordance with the provisions of Paragraph 4.03 of this Article. One person may hold two or more offices.

#### **4.02 Election.**

The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Paragraph 4.03 or Paragraph 4.05 of this Article, shall be chosen annually by the Board of Directors, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

#### **4.03 Subordinate Officers.**

The Board of Directors may appoint such other officers or agents as the business of the Corporation may require, each of whom shall hold *office* for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board of Directors may from time to time determine. The Board of Directors may delegate to any officer or committee the power to appoint any such subordinate officers, committees or agents, to specify their duties and to determine their compensation.

#### **4.04 Removal and Resignation.**

Any officer may be removed, either with or without cause, by a majority of the Directors at the time in office, at any regular or special meeting of the Board, or, except in case of an officer chosen by the Board of Directors, by any committee or officer upon whom such power of removal may be conferred by the Board of Directors; provided, however, that such removal shall not be without prejudice to the contract rights, if any, of the person removed. Any officer may resign at any time by giving written notice to the Board of Directors or to the Chief Executive Officer, or to the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

#### **4.05 Vacancies.**

If the office of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Corporate Secretary, Assistant Corporate Secretary (if any), or Controller (if any), becomes vacant by reason of death, resignation, removal, or otherwise, the Board of Directors shall elect a successor who shall hold office for the unexpired term, and until his successor is elected.

#### **4.06 Chairman of the Board.**

The Chairman of the Board, if there shall be such an officer, shall, if present, preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the Board of Directors or prescribed by the bylaws.

#### **4.07 Chief Executive Officer.**

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the Chief Executive Officer of the Corporation shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and officers of the Corporation, and shall have the general powers and duties of management usually vested in the office of Chief Executive Officer of a Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the bylaws. Within this authority and in the course of his duties he shall:

##### **1) Conduct Meetings.**

Preside at all meetings of the shareholders and in the absence of the Chairman of the Board, or, if there be none, at all meetings of the Board of Directors, and shall be ex officio a member of all the standing committees, including the Executive Committee, if any.

##### **2) Sign Share Certificates.**

Sign all certificates of stock in the Corporation, in conjunction with the Corporate Secretary or Assistant Secretary, unless otherwise ordered by the Board of Directors.

##### **3) Execute Instruments.**

When authorized by the Board of Directors or required by law, execute, in the name of the Corporation deeds, conveyances, notices, leases, checks, drafts, bills of exchange, warrants, promissory notes, bonds, debentures, contracts, and other papers and instruments in writing, and unless the Board of Directors shall order otherwise by resolution, make such contracts as the ordinary conduct of the Corporation's business may require.

##### **4) Hire and Fire Employees.**

Appoint and remove, employ and discharge, and prescribe the duties and fix the compensation of all agents, employees, and clerks of the Corporation other than the duly appointed officers, subject to the approval of the Board of Directors, and control, subject to the direction of the Board of Directors, all of the officers, agents, and employees of the Corporation.

##### **5) Meetings of Other Corporations.**

Unless otherwise directed by the Board of Directors, attend in person or by substitute appointed by him or the Chief Operating Officer and the Corporate Secretary or the Assistant Secretary, and act and vote on behalf of the Corporation, at all meetings of the shareholders of any corporation in which this Corporation holds stock.

#### **4.08 Chief Operating Officer.**

In the absence or disability of the Chief Executive Officer, the Chief Operating Officer shall perform all the duties of the Chief Executive Officer, and when so acting shall have all the powers of, and be subject to all the restrictions on, the Chief Executive Officer. The Chief Operating Officer shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the bylaws.

#### **4.09 Corporate Secretary.**

The duties of the Corporate Secretary shall include, but are not limited to:

**1) Sign Share Certificates.**

Sign, with the Chief Executive Officer, certificates for shares of the Corporation.

**2) Attest Bylaws.**

Attest and keep at the principal office of the Corporation the original or a copy of its bylaws as amended or otherwise altered to date.

**3) Minutes of Meetings.**

Keep at the principal office of the Corporation or such other place as the Board of Directors may order, a book of minutes of all meetings of its Directors and shareholders, executive committees, and other committees, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at director's meetings, the number of shares or members present or represented at shareholder's meetings, and the proceedings thereof.

**4) Sign or Attest Documents and Affix Seal.**

Sign or attest such documents as may be required by law or the business of the Corporation, and to keep the corporate seal and affix it to such instruments as may be necessary or proper.

**5) Notices.**

Undertake that all notices are duly given in accordance with the provisions of these bylaws or as required by law. In case of the absence or disability of the Corporate Secretary, or his refusal or neglect to act, notice may be given and served by an Assistant Secretary or by the Chief Executive Officer or Chief Operating Officer or by the Board of Directors.

**6) Custodian of Records and Seal.**

Be custodian of the records and of the seal of the Corporation and see that it is engraved, lithographed, printed, stamped, impressed upon or affixed to all certificates for shares prior to their issuance and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these bylaws.

**7) Share Register.**

Keep at the principal office of the Corporation a share register or duplicate share register showing the names of the shareholders and their addresses; the number, date of issue, and class of shares represented by each outstanding share certificate; and the number and date of cancellation of each certificate surrendered for cancellation.

**8) Reports and Statements.**

See that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed.

**9) Exhibit Records.**

Exhibit at all reasonable times to any Director on application, or on written demand stating the purpose thereof of any person who has been a shareholder of record for at least six (6) months immediately preceding his demand or who is the holder of record of at least five (5) per cent of all of the outstanding shares of the Corporation, upon application, the bylaws, the share register, and minutes of proceedings of the shareholders and Directors of the Corporation.

**10) Other Duties.**

In general, perform all duties incident to the office of Corporate Secretary, and such other duties as from time to time may be assigned to him by the Board of Directors.

**11) Absence of Corporate Secretary.**

In case of the absence or disability of the Corporate Secretary or his refusal or neglect to act, the Assistant Secretary, or if there be none, the Chief Financial Officer, acting as Assistant Secretary, may perform all of the functions of the Secretary. In the absence or inability to act, or refusal or neglect to act of the Corporate Secretary, the Assistant Secretary and Chief Financial Officer, any person thereunto authorized by the Chief Executive Officer or Chief Operating Officer or by the Board of Directors may perform the functions of the Corporate Secretary.

**4.10 Assistant Secretary.**

At the request of the Corporate Secretary, or in his absence or disability, the Assistant Secretary, designated as set forth in preceding Subparagraph 4.09(11) of these bylaws shall perform all the duties of the Corporate Secretary, and when so acting, he shall have all the powers of, and be subject to all the restrictions on, the Corporate Secretary. The Assistant Secretary shall perform such other duties as from time to time may be assigned to him by the Board of Directors or the Corporate Secretary.

**4.11 Chief Financial Officer.**

The duties of the Chief Financial Officer shall include, but are not limited to:

**1) Financial Responsibility.**

Have charge and custody of, and be responsible for, all funds and securities of the Corporation, and deposit all such funds in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors.

**2) Funds-Receipts.**

Receive, and give receipt for, monies due and payable to the Corporation from any source whatever.

**3) Funds-Disbursements.**

Disburse or cause to be disbursed, the funds of the Corporation as may be directed by the Board of Directors, taking proper vouchers for such disbursements.

**4) Maintain Accounts.**

Keep and maintain adequate and correct accounts of the Corporation's properties and business transactions including account of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus, and shares. Any surplus, including earned surplus, paid-in surplus, and surplus arising from a reduction as stated capital, shall be classified according to source and shown in a separate account.

**5) Exhibit Records.**

Exhibit at all reasonable times the books of account and records to any Director on application, or to any person who has been a shareholder of record for at least six (6) months immediately preceding his demand or who is the holder of at least five (5) per cent of all the outstanding shares of the Corporation, on written demand stating the

purpose thereof, during business hours at the office of the Corporation where such books and records are kept.

**6) Reports to Executive Officers and Directors.**

Render to the Executive Officers and Directors, whenever they request it, an account of all his transactions as Chief Financial Officer and of the financial condition of the Corporation.

**7) Financial Reports to Shareholders.**

Prepare, or cause to be prepared, and certify the financial statements to be included in the annual report to shareholders and statements of the affairs of the Corporation when requested by shareholders holding at least ten (10) per cent of the number of outstanding shares of the Corporation.

**8) Bond.**

Give to the Corporation a bond, if required by the Board of Directors or by the Chief Executive Officer, in a sum, and with one or more sureties, or a surety company satisfactory to the Board, for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement, or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

**9) Other Duties.**

In general, perform all duties incident to the office of Chief Financial Officer and such other duties as from time to time may be assigned to him by the Board of Directors.

**10) Absence of Chief Financial Officer.**

In case of the absence or disability of the Chief Financial Officer or his refusal or neglect to act, the Controller or the Corporate Secretary, acting as Assistant Financial Officer may perform all of the functions of the Chief Financial Officer. In the absence or inability to act, or refusal or neglect to act, of the Chief Financial Officer, the Controller, and the Corporate Secretary, any person thereunto authorized by the Chief Executive Officer or Chief Operating Officer or by the Board of Directors may perform the functions of the Chief Financial Officer.

**4.12 Controller.**

The Controller, if required to do so by the Board of Directors, shall give bond for the faithful discharge of his duties, in such sum, and with such sureties as the Board of Directors shall require. At the request of the Chief Financial Officer, or in his absence or disability, the Controller designated as set forth in preceding Subparagraph 4.11(10) of these bylaws shall perform all the duties of the Chief Financial Officer, and when so acting, he shall have all the powers of, and be subject to all the restrictions on, the Chief Financial Officer. He shall perform such other duties as from time to time may be assigned to him by the Board of Directors or the Chief Financial Officer.

**4.13 Salaries.**

The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation.

**ARTICLE FIVE  
EXECUTION OF INSTRUMENTS AND DEPOSIT OF FUNDS**

### **5.01 Authority for Execution of Instruments.**

The Board of Directors, except as otherwise provided in these bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances; and, unless so authorized, an officer, agent, or employee shall have any power to authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose in any amount.

### **5.02 Execution of Instrument.**

Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts of the Corporation, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the Corporation, and other corporate instruments or documents, and certificates of shares of stock owned by the Corporation, shall be executed, signed or endorsed by the Chief Executive Officer or the Chief Operating Officer and by the Corporate Secretary or the Chief Financial Officer, or any Assistant Secretary or the Controller, and may have the corporate seal affixed thereto.

### **5.03 Banking.**

#### **1) Bank Accounts and Deposits.**

All funds of the Corporation shall be deposited from time to time to the credit of the Corporation with such banks, trust companies, or other depositories as the Board of Directors may select or as may be selected by any officer or officers, agent or agents of the Corporation to whom such power may be delegated from time to time by the Board of Directors.

#### **2) Endorsement without Countersignature.**

Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositories may be made without countersignature by the Chief Executive Officer or Chief Operating Officer, or the Chief Financial Officer of any Controller, or by any other officer or agent of the Corporation to whom the Board of Directors, by resolution, shall have delegated such power, or by hand stamped impression in the name of the Corporation.

#### **3) Signing of Checks, Drafts, etc.**

All checks, drafts, or other order of payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as shall be determined from time to time by resolution of the Board of Directors.

## **ARTICLE SIX ISSUANCE AND TRANSFER OF SHARES**

### **6.01 Classes and Series of Shares.**

The Corporation may issue one or more classes or series of shares, or both, any of which classes or series may be par value or without par value and with full, limited, or no voting rights, and with such other preferences, rights, privileges, and restrictions as are stated or authorized in the Articles of Incorporation. All shares of any one class shall have the same voting rights, conversion, redemption, and other rights, preferences, privileges, and restrictions, unless the class is divided into series. If a class is divided into series, all the shares of any one series shall have the same voting rights, conversion, redemptions, and other rights, preferences, privileges, and restrictions. There shall always be a class or series of

shares outstanding which has complete voting rights except as limited or restricted by voting rights conferred on some other class or series of outstanding shares.

#### **6.02 Certificates for Fully Paid Shares.**

Neither shares nor certificates representing such shares may be issued by the Corporation until the full amount of the consideration has been paid. When such consideration has been paid to the Corporation, the shares shall be deemed to have been issued and the certificate representing such shares shall be issued to the shareholder.

#### **6.03 Consideration for Shares.**

The consideration paid for the issuance of shares shall consist of money paid, labor done, or property actually received; and neither promissory notes nor the promise of future services shall constitute payment or part payment for shares of the Corporation.

#### **6.04 Share Certificates.**

##### **1) Contents of Share Certificates.**

Certifications for shares shall be of such form and style, printed or otherwise, as the Board of Directors may designate, and each certificate shall state all of the following facts:

- a) That the Corporation is organized under the laws of the State of Texas;
- b) The name of the person to whom issued;
- c) The number and class of shares and the designation of the series, if any, which such certificate represents; and,
- d) The par value of each share represented by such certificate, or a statement that the shares are without par value.

##### **2) Shares in Classes or Series.**

If the Corporation is authorized to issue shares of more than one class, the certificate shall set forth, either on the face or back of the certificate, a full or summary statement of all of the designation, preferences, limitations, and relative rights of the shares of each class authorized to be issued and, if the Corporation is authorized to issue any preferred or special class in series, the variations in the relative rights and preferences of the shares of each such series so far as the same have been fixed and determined and the authority of the Board of Directors to fix and determine the relative rights and preferences of subsequent series. In lieu of providing such a statement in full on the certificate, a statement on the face or back of the certificates may provide that the Corporation will furnish such information to any shareholder without charge upon written request to the cooperation at its principal place of business or registered office and that copies of the information are on file in the office of the Secretary of State.

##### **3) Restriction on Transfer.**

Any restrictions imposed by the Corporation on the sale or other disposition of its shares and on the transfer thereof must be copied at length or in summary form on the face, or so copied on the back and referred to on the face, of each certificate representing shares to which the restriction applies. The certificate may, however, state on the face or back that such a restriction exists pursuant to a specified document and that the Corporation will furnish a copy of the document to the holder of the certificate without charge upon written request to the Corporation at its principal place of business.

##### **4) Preemptive Rights.**

Any preemptive rights of a shareholder to acquire unissued or treasury shares of the Corporation which are limited or denied by the Articles of Incorporation must be set forth at

length on the face or back of the certificate representing shares subject thereto. In lieu of providing such a statement in full on the certificate, a statement on the face or back of the certificate may provide that the Corporation will furnish such information to any shareholder without charge upon written request to the Corporation at its principal place of business and that a copy of such information is on file in the office of the Secretary of State.

#### **6.05 Signing Certificates - Facsimile Signatures.**

All such certificates shall be signed by the Chief Executive Officer and the Chief Financial Officer or the Corporate Secretary. The signatures of the Chief Executive Officer, Chief Financial Officer, or Corporate Secretary may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar either of which is not the Corporation itself or an employee of the Corporation. If the officer who has signed or whose facsimile signature has been placed on the certificate has ceased to be such officer before the certificate is issued, the certificate may be issued by the Corporation with the same effect as if he were such officer at the date of its issuance.

#### **6.06 Transfer of Shares.**

##### **1) Lost or Destroyed Shares.**

Where a share certificate has been lost, apparently destroyed, or wrongfully taken and the owner fails to notify the Corporation of that fact within a reasonable time after he has notice of it, and the Corporation registers a transfer of the share represented by the certificate before receiving such a notification, the owner is precluded from asserting against the Corporation any claim for registering the transfer or any claim to a new certificate.

##### **2) Replacement of Lost or Destroyed Certificates.**

Where the holder of a share certificate claims that the certificate has been lost, destroyed, or wrongfully taken, the Corporation shall issue a new certificate in place of the original certificate if the owner so request before the Corporation has notice that the share has been acquired by a bona fide purchaser; and files with the Corporation a sufficient indemnity bond; and satisfies any other reasonable requirements imposed by the Board of Directors.

##### **3) Transfer after Replacement.**

If, after the issue of a new security as a replacement for a lost, destroyed, or wrongfully taken certificate, a bona fide purchaser of the original certificate presents it for registration or transfer, the Corporation must register the transfer unless registration would result in over issue. In addition to any rights on the indemnity bond, the Corporation may recover the new security from the person to whom it was issued or any person taken under him except a bona fide purchaser.

#### **6.07 Transfer Agents and Registers.**

The Board of Directors may appoint one or more transfer agents or transfer clerks, and one or more registrars which shall be an incorporated bank or trust company, either domestic or foreign, who shall be appointed at such times and places as the requirements of the Corporation may necessitate and the Board of Directors may designate.

#### **6.08 Conditions of Transfer.**

A person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof as regards the Corporation; provided that whenever any transfer of shares shall be made for collateral security, and not absolutely, and written notice thereof shall be given to the Corporate Secretary of the Corporation or its transfer agent, if any, such fact shall be stated in the entry of the transfer.

#### **6.09 Reasonable Doubts as to Right of Transfer.**

When a transfer of shares is requested and there is reasonable doubt as to the right of the person seeking the transfer, the Corporation or its transfer agent, before recording the transfer of the shares on its books or issuing any certificate therefore, may require from the person seeking the transfer reasonable proof of his right to the transfer. If there remains a reasonable doubt of the right to the transfer, the Corporation may refuse a transfer unless the person gives adequate security or a bond of indemnity executed by a corporate surety or by two individual sureties satisfactory to the Corporation as to form, amount, and responsibility of sureties. The bond shall be conditioned to protect the Corporation, its officers, transfer agents, and registrars, or any of them, against any loss, damage, expense, or other liability to the owner of the shares by reason of recordation of the transfer or the issuance of a new certificate for shares.

#### **6.10 Warrants and Options.**

The Board of Directors shall, by resolution, have the power to create and issue, whether or not in connection with the issue and sale of any shares or any other securities of the Corporation, warrants, rights or options entitling the holders thereof to purchase from the Corporation any share of any class or classes or any other securities of the Corporation, such warrants, rights, or options to be evidenced by or in such instrument or instruments as shall be approved by the Board of Directors. The terms upon which, the time or times, which may be limited or unlimited in duration, at or within which, and the price or prices at which any such warrants, rights, or options may be issued and any such shares or other securities may be purchased from the Corporation upon the exercise of any such warrant, right or option shall be such as shall be fixed and stated in the resolution or resolutions of the Board of Directors providing for the creation and issue of such warrants, rights, or options.

## **ARTICLE SEVEN CORPORATE RECORDS, REPORTS, AND SEAL**

#### **7.01 Book of Minutes.**

The Corporation shall keep at the registered office, or such other place as the Board of Directors may order, a book of minutes of all meetings of its Directors and of its shareholders or members, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof give, the names of those present at Directors' meetings, the number of shares or members present or represented at shareholders' or members' meetings, and the proceedings thereof.

#### **7.02 Books of Account.**

The Corporation shall keep and maintain adequate and correct accounts of its properties and business transactions including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account.

#### **7.03 Share Register.**

The Corporation for profit shall keep at the registered office, or at the office of the transfer agent, a share register, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for shares, and the number and date of cancellation of every certificate surrendered for cancellation. The above specified information may be kept in electronic formats by the Corporation provided

that the Corporation maintains equipment capable of reproducing the information in clearly legible form for the purposes of inspection as provided in Section 7.04 of these bylaws.

#### **7.04 Inspection of Records.**

##### **1) Inspection of Records by Shareholders.**

Any person who shall have been a shareholder of record for at least six (6) months immediately preceding his demand, or who is the holder of record of at least five (5) percent of all of the outstanding shares of the Corporation, on written demand stating the purpose thereof has the right to examine, in person, or by agent, accountant, or attorney, at any reasonable time or times, for any proper purpose, its books and records of account, minutes, and record of shareholders, and is entitled to make extracts there from.

##### **2) Inspection of Records by Directors.**

Every Director shall have the absolute right at any reasonable time to inspect all books, records, documents of every kind, and the physical properties of the Corporation, and also of its subsidiary Corporations, domestic or foreign. Such inspection by a Director may be made in person or by agent or attorney, and the right of inspection includes the right to make extracts.

#### **7.05 Annual Report.**

##### **1) Annual Report to Shareholders.**

The Board of Directors shall cause an annual report on Form 10K to be properly filed with the U.S. Securities and Exchange Commission (SEC) not later than ninety (90) days after the close of the fiscal year.

##### **2) Contents of Annual Reports.**

In addition to those elements required by the SEC, the annual report shall include the following financial statements:

- a) A balance sheet as of such closing dates;
- b) A statement of income or profit and loss for the year ended on such closing date; and,
- c) Such other information as the directors shall determine.

##### **3) Preparation of Financial Statements.**

The financial statements shall be prepared from the books and shall be in accordance therewith and shall be certified by the Chief Executive Officer, Chief Financial Officer, Corporate Secretary, and an independent certified public accountant. They shall be prepared in a form sanctioned by sound accounting practices for the particular kind of business carried on by the Corporation.

#### **7.06 Fiscal Year.**

The fiscal year of the Corporation shall be as determined by the Board of Directors.

#### **7.07 Corporate Seal.**

The Board of Directors may adopt, use, and thereafter alter, the corporate seal.

**ARTICLE EIGHT**  
**AMENDMENTS OF BYLAWS**

**8.01 Adoption, Amendment, Repeal of Bylaws by Directors.**

Bylaws may be altered, amended, or repealed, and new bylaws may be adopted, by the directors, subject to repeal or change by action of the shareholders.

Signature and Attestation

ADOPTED by the Board of Directors on the 1st day of May, A.D., 2004.

**EnDevCo, Inc.**

**/s/ Chris A. Dittmar**

Original signed by Chris A. Dittmar  
Chief Executive Officer

ATTEST:

**/s/ Larry Swift**

Original signed by Larry Swift Assistant Corporate Secretary

Exhibit 21 – Subsidiaries of the Registrant

	Name	Jurisdiction Of Incorporation	DBA
1.	Superior Stock Transfer, Inc. (FKA) Superior Geophysical, Inc.	Texas	same
2.	EnDevCo Minerals, Inc. (FKA) Adair Exploration, Inc.	Texas	same
3.	EnDevCo Refining Corporation (FKA) Adair Yemen Exploration Ltd.	Bahamas	same
4.	Africa Energy Group, Inc.	Bahamas	same

## **EXHIBIT 31.1**

### **CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Chris A. Dittmar, certify that:

1. I have reviewed this Annual Report on Form 10KSB/A of EnDevCo, Inc. (the “Company”);
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f)) for the Company, and we have:
  - (a) designed those disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by other personnel employed by the Company and its subsidiaries, particularly within the Reporting Period;
  - (b) designed those internal control over financial reporting, or caused such internal control to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the

audit committee of the Company's board of directors (or persons performing the equivalent functions):

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

August 30, 2005

CHRIS A DITTMAR

CHRIS A DITTMAR  
CHIEF EXECUTIVE OFFICER

**EXHIBIT 31.2**  
**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Larry Swift, certify that:

1. I have reviewed this Annual Report on Form 10KSB/A of EnDevCo, Inc. (the “Company”);
2. Based on my knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f)) for the Company, and we have:
  - (a) designed those disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by other personnel employed by the Company and its subsidiaries, particularly within the Reporting Period;
  - (b) designed those internal control over financial reporting, or caused such internal control to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the

audit committee of the Company's board of directors (or persons performing the equivalent functions):

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

August 30, 2005

LARRY SWIFT

LARRY SWIFT  
CHIEF FINANCIAL OFFICER

**EXHIBIT 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(B) OR 15D-14(B) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE**

I, Chris A. Dittmar, Chief Executive Officer of EnDevCo, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The report on Form 10KSB/A for the period ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the date and for the periods reported therein.

August 30, 2005

CHRIS A. DITTMAR

CHRIS A. DITTMAR  
CHIEF EXECUTIVE OFFICER

**EXHIBIT 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(B) OR 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE**

I, Larry Swift, Chief Financial Officer of EnDevCo, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The report on Form 10KSB/A for the period ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the date and for the periods reported therein.

August 30, 2005

LARRY SWIFT

LARRY SWIFT  
CHIEF FINANCIAL OFFICER