September 21, 2006
Bridge IR Group, Inc.

United States – Energy
Oil & Gas Exploration

ENDEVCO INC. (OTC BB:ENDE)

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Recent Price: **$0.042**
Target Price: **$0.700**
(**12-month**)

SPECULATIVE STRONG BUY RATING

Main Headquarters

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2425 Fountain View
Suite 215
Houston, TX 77057
Unites States of America

Tel: (713) 977 4662
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ENDEVCO

EnDevCo Incorporated	
(all figures in Millions)	
52 Week Hi/Lo Range	0.10/0.01
Fiscal Year End	31-Dec
Shares Outstanding (06/30/2006)	226.0
Float (approximately)	211.3
Share price (09/08/2006)	0.042
Market Capitalization	9.5
Average Volume (3 months)	0.275
Insider Ownership	2%
Institutional Ownership	NA
Enterprise Value	20.22
Total L-T Debt (06-30-06)	11.529
Total Cash (06-30-06)	0.799

	12/31/2006	12/31/2007
	FY2006 E	FY2007 E
Earnings Per Share (EPS)	0.00	0.03
Reserve Value/share* (less long-term liabilities and cash)	1.73	

	FY2006 E	FY2007 E
Total Revenue	4.500	19.500
Cost of Sales	1.755	7.020
Gross Profit/Loss	2.745	12.480
Operating expenditures	2.400	3.900
Net Pre-Tax Profit/Loss	0.345	8.580
Other Income/Expenses	-0.392	-0.392
Minoritiy Interest	-0.600	2.500
Tax Expense		
Net Income	-0.647	5.688

NA = Not applicable/Not Available.
A = Actual Reported figures E = Estimates

Mining Reserves	Barrels
Proven Reserves (P1) - mm BOE	31.60
Oil Price ($/barrel) - BOE Net Back	30.0
Reserve $ Valuation	948
Present Value of reserves @ 10% over 20 yrs	403.5

Capital Structure (30 June, 2006)	
Authorized Common Stock	500 000 000
Authorized Preferred Stock	10 000 000
Issued Preferred Stock	6 115 020

"Boots on the Ground" Operator Building Production

Company Overview

EnDevCo, Inc. (OTCBB:ENDE) and its subsidiaries engage in the exploration and production of oil and gas in the United States and Colombia. It also has operations in 3 Blocks in the Gulf of Mexico. The Company has an interest in the 'West' and 'Central' Short Junction Field Units, located in Cleveland County near Oklahoma City, Oklahoma, where the Company believes it can extract value and capture reserves and production from a past failed water flood project of a major oil company.

- The Company **increased total production at the Short Junction Field** near Oklahoma City **by 40%** effective August 1, 2006. EnDevCo assumed the role of Operator at the 12,000 acre Field located on April 13, 2006. At that point it was producing 117 barrels of oil equivalent (BOE) per day comprised of 87 barrels of oil and 181 Mcf of gas. **Daily production** has been **increased** to a **sustained 165 BOE per day** comprised of 125 barrels of oil and 242 mcf of gas.
- EnDevCo acquired the **Central & West Units** of the **Short Junction Field** in April 2006 and established a solid and dependable cash flow from oil and gas production. As a result, EnDevCo is able to book **Proven Reserves** on its balance sheet.
- EnDevCo plans to continue an **aggressive re-completion program to increase daily oil production by 400 barrels and 5,000 MCF of gas within the next 12 months**. In addition, the Company plans to drill horizontal wells for both oil and gas production to fully realize a possible upside potential of an **additional 30 million barrels of oil and 10 BCF of gas reserves**.
- By pursuing its present strategy at Short Junction, ENDE believes it can attain **oil and gas production targets** of close to **500 barrels per day (bpd)** of crude oil and **5500 MCF per day** (mcfpd) of gas, in the next 12 months. At $60 per barrel oil and $6 mcf natural gas prices, the company projects **Net Operating Revenue of $19.5 million per year** which provides huge **upside leverage on these assets** to ENDE shareholders. The company envisages reporting a **net operating profit for FY2006**.
- The Company calculates its **Reserve position is 596.7 probable mmBOE.** Since Rio Magdalena's reserves are not yet booked, the current proven or **1P** reserves are **31.6 million barrels (mmBOE)** using effective interest in the remaining exploration areas.
- The company has secured financing with **credit facility of $30 million** from **GasRock Capital LLC** of which only $10 million has been used. This provides ENDE with sufficient resources to conduct its E&P program. We believe this access to financing will enable the Company to **leverage its high-quality assets** that the Company has secured thusfar that will ultimately be accretive to shareholder value.
- **We believe the upside potential in the shares substantially outweighs the downside risks and when considered in light of our computed adjusted reserve value per share. When the PV of proven reserves is obtained and stripping out the effects of debt and cash, ENDE appears attractive. Based on the distinct balance of probabilities that such wide discount will begin to narrow as ENDE exhibits further production growth and continued E&P operations, whilst adding re-completed wells. When coupled with our outlook for the backdrop of above-average crude oil prices to persist, we classify the shares in our SPECULATIVE STRONG BUY rating category. Our 12-month target price is pegged between [0.6 x our Adjusted Reserve Valuation per share metric of $1.73] and discounting for 1-year at the required rate of return and the price derived from our PE methodology. This target price of $0.70 implies a forward PE of 17.0x our FY 2007 EPS forecast of +4c.** **See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 17-19).**

See Appendix A-1 for Analyst Certification and Important Disclosures.

THE COMPANY

EnDevCo, Inc. (OTC BB: ENDE) a shortened version of the **En**ergy **Dev**elopment **Co**mpany, is a dynamic and growing energy company establishing an identity through science-based business development activities. EnDevCo, Inc. (formerly Adair International Oil and Gas, Inc.) was incorporated under the laws of the state of Texas on November 7, 1980 as Roberts Oil and Gas, Inc. and changed its name to Adair International Oil and Gas, Inc. in 1997. 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. The Company maintains offices in Houston and Dallas, Texas.

The Company acquired several oil and gas properties to develop in 2004. Last year the Company was successful in securing project financing and since 2006, property development activities have been underway. The following oil and gas properties have been acquired:

- Short Junction Field (Oklahoma)
- East Cameron Block 71 (Louisiana)
- Eugene Island Block 294 (Louisiana)
- Chandeleur Block 14(Louisiana)
- Rio Magdalena Exploration Area (Columbia)

ENDEVCO

The Energy Development Company

Caption: **This Logo represents the environmentally-friendly, clean burning flame of natural gas superimposed on the blades of a natural gas fired power plant turbine.**

The Company intends to develop the full oil and gas potential of current properties with a comprehensive work program that will include workovers, re-entries and re-completions, vertical wells and horizontal wells with multiple laterals.

EnDevCo believes the sensible application of state-of-the-art geo-science technologies provides profound risk reduction while significantly improving the profit upside for oil and gas exploration and production investments. EnDevCo's business plan includes strategies to participate in several sectors of the natural resources industry, namely:

1) **oil and gas exploration and production**,
2) **development of new technologies** for the enhancement of oil and gas production and the utilization of that technology to gain leverage in the purchase of domestic natural gas production, and
3) **merchant power and integrated industrial site** development.

EnDevCo is founded on the principle that the sensible application of state-of-the-art geoscience technologies provides a profound reduction in the risk profile that accompanies all investment in oil and gas exploration and production. The Company's investment philosophy is governed by its consistent application of the principle **"science before the drill bit."**

The Company has completed a **$30 million credit facility** with GasRock Captial, LLC which will be utilized in an aggressive well recompletion program that is **designed to increase daily oil production to over 500 barrels/day and 5500 MCF of gas/day over the next 12-18 months**. Concurrent with the well recompletion program, 3D seismic is planned to be acquired over the field which will then be integrated into a full engineering simulation of the Hunton reservoir dynamics. Based on these advanced technical studies, the Company plans to drill horizontal wells for both oil and gas production to fully realize a **possible upside potential of an additional 30 million barrels of oil and 10 BCF of gas reserves.**

As of December 31, 2005, the Company had more than 8400 shareholders of common stock with no individual shareholder controlling more than 2% of the issued stock. As of the same date the company had 6,085,520 issued and outstanding Preferred shares with a preferred float of approximately 3.58 million. No individual shareholding exceeded 16% and there were 29 preferred shareholders on the Company register.

All officers and directors of the Company as a group held 3,092,541 shares of common stock, which represents 1.44% of the total outstanding shares of ENDE as at February 28, 2006. As at the same date, all officers and directors of EnDevCo as a group held 2,685,000 shares of Preferred stock, which represents 44.09% of the total outstanding shares of Preferred stock.

INDUSTRY

Against a backdrop of low spare production capacity and Middle-East tensions, NYMEX crude futures breached $78/bbl in July 2006. The move was spurred by sharply higher gasoline prices, ongoing Nigerian supply disruptions and stronger political rhetoric from Iran over its Nuclear Activities. Speculative length and open interest on the NYMEX WTI contract rose dramatically. **Dated Brent reached a record high** of $78.69/bbl on 8 August, after BP shut down the Prudhoe Bay field in Alaska to repair pipeline infrastructure. Pipeline problems also increased Nigerian outages to around 750 kb/d, with prices further supported by ongoing geopolitical concerns in the Middle East. During the past 3 weeks oil has retreated back to the mid 60s following less anxiety over supply shortages, several consecutive weeks showing a build in US crude inventories and fears that slower US economic growth that seems to be moderating may cause oil and energy demand to taper off.

Since 2004, the emerging China market kept stimulating the growth of crude oil demand and was affected by the production cut in OPEC's oil supply. As such, the price of crude oil kept rising. In mid 2005, some large cities in China were forced to reduce or cease the use of gasoline due to a national oil supply shortage. Therefore, the market demand is expected to remain strong and the supply situation is anticipated remain tight for the foreseeable future. China has been instrumental in pushing up demand for oil and hence aiding price rises in oil, given its change in status from net exporter of oil in 2002 to net importer of oil by 2004.

The International Energy Agency, in its most recent monthly report released on August 11, **calculated 2006 total world oil demand at 84.8 million barrels per day**. For 2007 the Agency expects demand growth of 1.6 mbpd to 86.4 million. **World oil supply** in July rose by 615 kbpd to **85.5 mbpd, which is still marginally ahead of demand**. With effective OPEC spare capacity measured at **2.0 mbpd effective in July 2006**, any supply disruption or strong unforeseen added pressure from the demand side of the equation can tilt the scales to such a degree that fuel an upward price squeeze in crude oil prices could resume, even given the recent slide to $65 per barrel for NYMEX light sweet crude. Note from the current indicated figures on the demand and supply charts that are included from the IEA, the possibility exists that supply and demand could intersect in 2007 (if the global economy keeps growing at a healthy clip) and demand may even outstrip supply at certain times of the coming year, which is enough to make most observers concerned about a future supply/demand imbalance developing. The reader should however note that our view is more bullish than market consensus, with many analysts and market participants calling for lower prices and a deflation of the so-called risk and speculative premiums they argue that has been factored into energy prices.

For readers interested in more detail on oil market conditions are directed to the following link, **http://omrpublic.iea.org/,** where a comprehensive monthly Oil Market Report (OMR) is available, that is provided by the Paris based International energy Agency (IEA).Iran is the world's fourth leading net exporter of oil at approximately 2.5-3.0 mbpd. **If Iran were to cease exporting, the world would find itself running a deficit of oil.** This would inevitably drive prices up until other producers could make up the difference. Nigeria ranks tenth in the world in proven reserves. The Nigerian rebels recently forced the shutdown of several offshore platforms there belonging to Shell, causing oil shipments to decline by several hundred thousand barrels of oil per day.

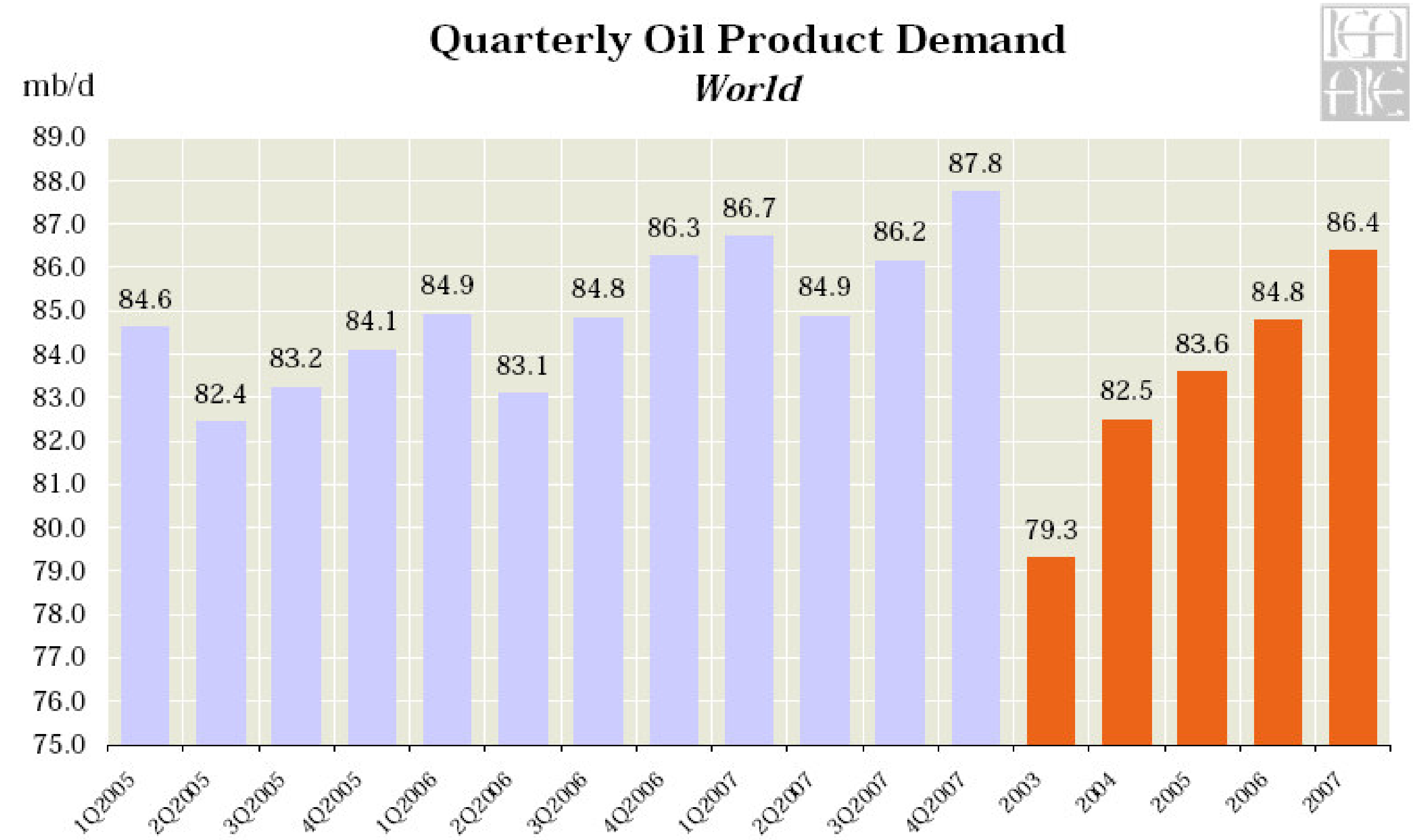
A conservative estimate of a 3 percent to 5 percent annual decline in global oil production would mean 2-4 mbpd less production going forward. That lost production would not only have to be replaced, but significantly increased to meet the estimated global growth in demand. There isn't much breathing room if there is another spike in world demand or a large-scale disruption. World population was at approximately 6.5 billion people at the end of 2005 and growing by some 80 million annually. China's economic growth rate was expected to slow only slightly in 2006. India's full year growth was expected continue at a similar pace. Between them, roughly one-third of the world's population is engaged in rapid economic growth. Such growth can only increase energy consumption and raise demand. Global spare capacity is still critically low, the ability to increase production significantly is still questionable, and world demand will steadily increase. In addition, any number of geopolitical factors could surface which could disrupt supply channels and put still more upward pressure on energy prices. **Oil and gas reserves are diminishing assets. More will be found, but likely not in large enough quantities or fast enough to keep up for long with the rate of depletion**. Therefore, the value of proven reserves is highly likely to continue to rise.

In summary, our assessment is that **the macro-level outlook for oil, which is based on thin cushions of spare capacity, rather than actual or forecast inventory changes, remains bullish** and is unlikely to change, unless global economic growth begins to wane meaningfully or if economic growth reverses course drastically.

COMPETITION

Oil is America's and the world's number one energy source. Population and consumption trends dictate that substantial increases in current levels of production will be required to meet the expected growth in demand in coming years. EnDevCo is positioning itself to play a vital role in meeting this demand. Based on the robust demand for oil products in the United States, EnDevCo can exploit its competitive advantages due to its experienced management team, oil assets that could harbour many millions of barrels of oil, cutting edge drilling technology and relatively low operating costs.

(continues on page 5)


Quarterly Oil Product Demand
World
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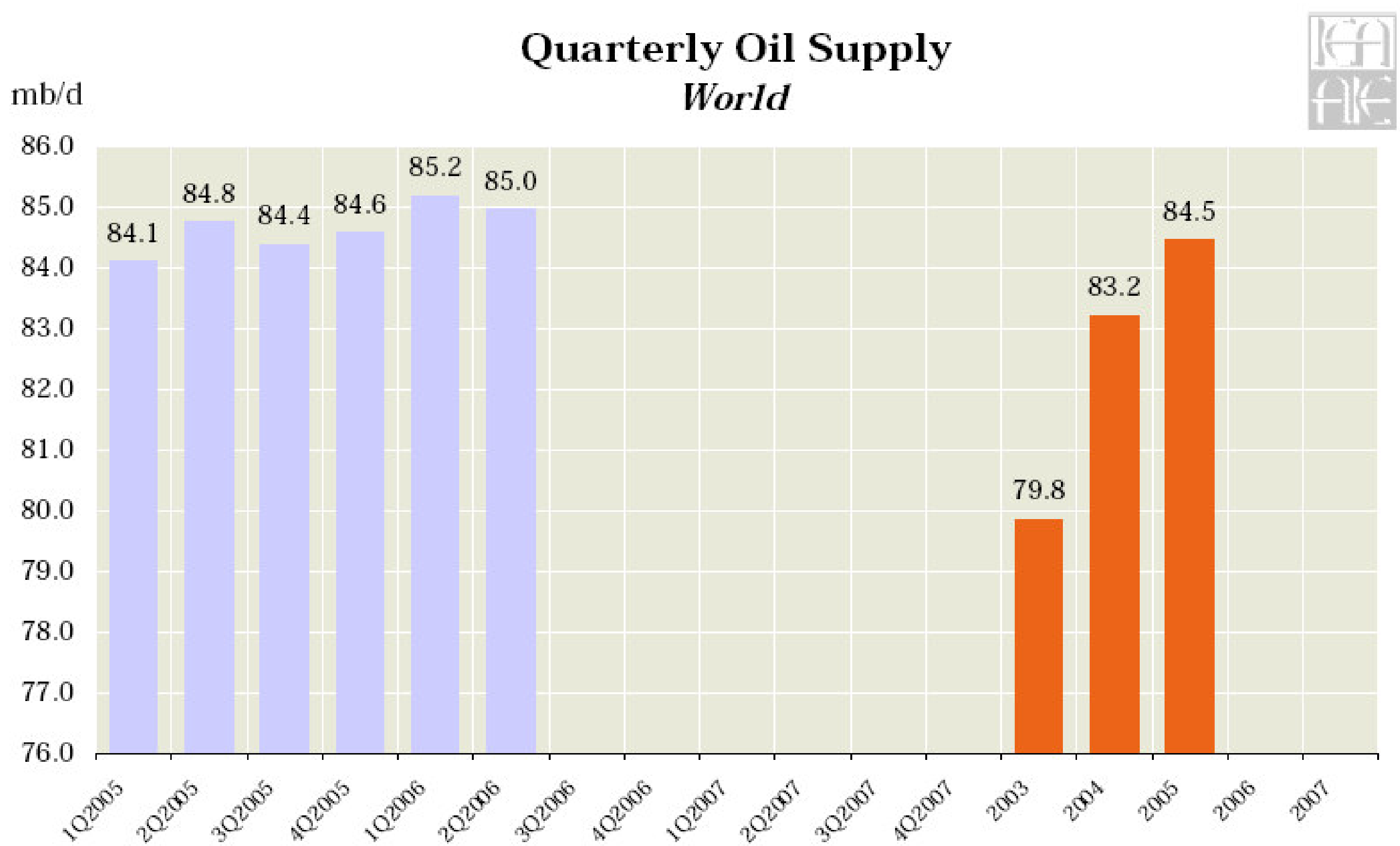
Quarterly Oil Supply
World
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86.0
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2003
2004
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2006
2007

There are some other large integrated oil and independent E&P companies in the regions that ENDE has active or prospective operations, however, the demand for crude oil has been rising since 2004 and many economic experts and financial analysts in the oil industry predict and believe that even if global demand growth slows somewhat in 2007, and that energy prices may have peaked for the time being, oil and gas prices can remain at levels above the long term averages. We see only a prolonged and sharp US and or global recession as catalyst that could drive oil prices meaningfully lower back to levels below $50 per barrel. Therefore, the relative impact of domestic E&P competition in the on-shore US oil and gas industry is considered minor and will not have strong effects on the company's operations at this point in its production and company life cycle.

EnDevCo OPERATIONS

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 3 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 farm-in agreement for certain exploration rights in the **Rio Magdelena Valley of Colombia.** EnDevCo's exploration teams are also evaluating other opportunities located in Canada, South America, Europe and North Africa.

- **Short Junction Field, Cleveland County, Oklahoma – United States**

Short Junction Field was discovered in 1948 by Conoco and was unitized in 1962. <u>This specific project is essentially a strategy to extract value and capture reserves and production from a failed water flood project of a major oil company, Conoco</u>. The property spans 12,000 acres over 18 Sections and holds 270 wells under 40 Acre spacing. Of these wells, 20 wells are currently active and the Company has identified an additional 27 wells for re-completion under the workover operations.

In April 2006, EnDevCo acquired 100% working interest (78% Net Revenue Interest) in the West and Central Units of the Short Junction Field located in Oklahoma City, Oklahoma. As of April 11, 2006, Open Choke Energy Partners No. 1, LP and Chris A. Dittmar contributed $3,000,000 in equity to EnDevCo Eureka, LLC in order for EnDevCo Eureka to complete its purchase of the Short Junction Field in Oklahoma. EnDevCo Eureka is owned 55% by EnDevCo, Inc., 30% by Open Choke Energy Partners and 15% by Chris A. Dittmar. Open Choke Energy Partners is a related party managed by Campbell Evans. The purchase of the Short Junction Field was completed April 13, 2006.

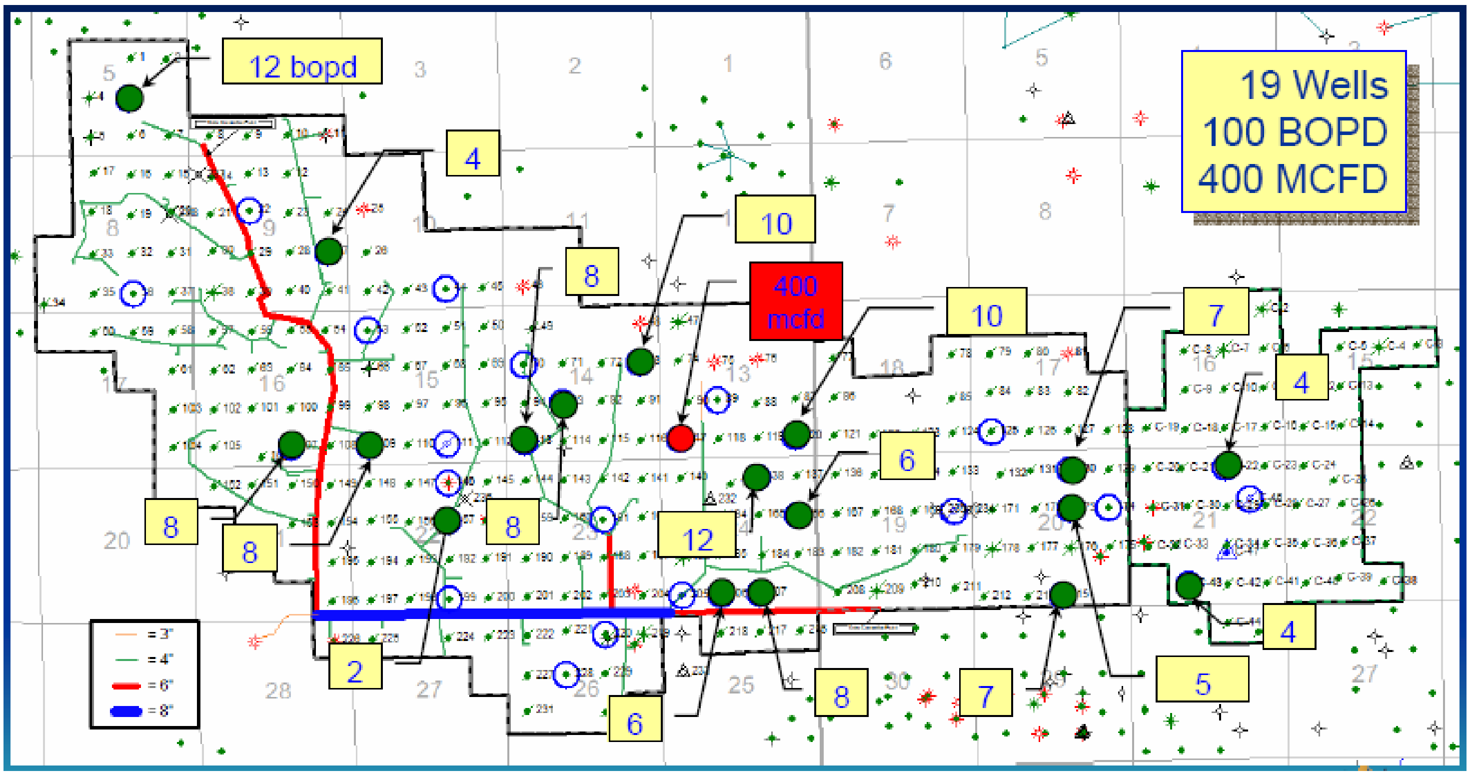
The Company has increased production 40% in the **12,000 unitized acre leasehold comprised of 20 active wells** that are currently producing a sustained 165 BOE per day comprised of 125 barrels of oil and 242 MCF of gas from the Hunton limestone and the Prue and Red Fork sand reservoirs. **EnDevCo plans to continue an aggressive re-completion program to increase daily oil production to over 500 barrels and 5,500 MCF of gas within the next 12 months**. In addition, the Company plans to drill horizontal wells for both oil and gas production to fully realize a possible upside potential of an additional 30 million barrels of oil and 10 BCF of gas reserves.

The Field currently consists of **20 oil wells and 1 gas well, 4 central collection and metering stages, and 4 salt water disposal wells.** Since acquiring the Field, the Company has methodically performed maintenance activities on all oil wells to include improved chemical and hot oil treatments; pump jack re-alignment, bearing and rod replacement, beam compressor installation and pipeline integrity testing and cleanout. EnDevCo has also installed new pumps, a new water knockout and two new heater treaters for improved oil separation at the central collection and metering stages, and terminated the re-injection of water into the Hunton reservoir by re-piping and installing a new salt water disposal well. These types of investment have resulted in significantly improved and sustainable production that is not frequently interrupted by mechanical breakdowns, scale buildup over casing perforations and restricted or blocked pipelines.

In late May 2006, the company announced the discovery of a "new pay zone" in Short Junction Field. The **#1 E. Kelly (WSJU #44)** well was completed at the end of May in the Prue sand formation, pumping oil at a rate of 30 barrels per day from approximately 17 feet of pay sand. The Prue sand is a prolific oil producer in the Airport Trend less than three miles away where several wells have produced over 150,000 barrels each. This is a significant discovery as it is the first time production has been established in the Prue sands in the Short Junction Field **and could potentially add in excess of one million barrels of proven behind pipe reserves**. The Company's discovery of a "new pay zone" in the Prue Sand, continues to be a steady 15 barrel per day producer. EnDevCo is currently working with its third party reservoir-engineering firm to determine the extent of the discovery and its impact on the Company's proved reserves.

EnDevCo has received city and state approvals to establish new gas production in the E. S. Rowland A-2 and the Joe Straka #2 wells from the Skinner and Red Fork Sands respectively, as well as to establish oil production in the Zurline #3 well from a newly identified pay zone in the Lyle Sand. The Company has scheduled re-completion and fracture stimulation operations in these wells to begin in September 2006 and is projecting a **further production increase of 215 BOE per day from an additional daily production of 1,050 Mcf of gas and 40 barrels of oil from these wells.** Upon successful completion, these operations will represent a further 130% production increase in the Short Junction Field.

JUNE 2006 PRODUCTION MAP - Short Junction Field



- **East Cameron Block 71, Gulf of Mexico (Offshore Louisiana)**

The Company currently holds a farm-in agreement to drill to earn a 1/3 working interest in East Cameron Block 71 with water depth at 54 feet. This is on the "Shelf" Producing Trend in Federal OCS Waters off the coast of Louisiana. EnDevCo **estimates daily production** of **3,000 barrels of oil equivalent (BOE) per day** from an existing well bore on this 5,000 acre property. Concurrent with the well re-completion program, the state of the art 3D seismic previously acquired over the block will be utilized to identify additional drilling locations to fully realize a possible reserves **potential in excess of 2 million BOE**.

- **Eugene Island Block 294, Gulf of Mexico (Offshore Louisiana)**

On January 01, 2006 the Company entered into a farm-in agreement with BT Operating Co., a related party managed by Campbell Evans, wherein the Company will participate in the drilling and completion of four wells in Eugene Island Block 294 and/or Chandeleur Block 14 to earn a 50% working interest in each block.

ENDE holds a farm-in agreement to drill to earn an undivided 50% interest in Eugene Island Block 294, which is a 5,000 acre property with water depth of 205 feet. This is on the "Shelf" Producing Trend in Federal OCS Waters off the coast of Louisiana also. Previous drilling activities and geophysical analysis of 3D seismic data demonstrate 64 BCF of gas at drilling depths above 9,500 feet. The deeper structures on the block are currently being evaluated and hold EnDevCo's best **potential for a 100 million BOE field** in the United States.

- **Chandeleur 14, Gulf of Mexico (Offshore Louisiana)**

This is on the "Shelf" Producing Trend in Federal OCS Waters off the coast of Louisiana also with water depth at 40 feet. The Company is yet to discover and study the true potential of this block.

- **Rio Magdalena Exploration Area, Upper/Middle Magdalena Valley – Colombia, S.A.**

New E&P Terms for investment and return and revenue sharing policies announced by the Columbian Government encourages oil and gas development projects. The Company holds a farm-in agreement to participate in an undivided 25% interest of all rights in the Rio Magdalena Exploration Area (RMEA) contract. The RMEA comprising 58,546 hectares (144,600 acres) is situated in the Upper Magdalena River region of Colombia and **contains 8 large structures** currently identified by over 1,300 kilometers of 2D seismic and various well control data. All prospects are located down dip of active oil seeps and **represent over 700 million BOE of potential oil reserves**. Any oil production developed will have access to the existing Ecopetrol oil export pipeline.

Analog Fields

	Recoverable Reserves (MMBOE)
• LaCira-Las Infantas	1,000
• Casabe	266
• Cantagallo	155
• Palagua	99
• Llanito	62
• Toqui-Toqui*	21

Toqui-Toqui was discovered by one of EnDevCo's Consulting geoscientists and has produced over 21 million barrels of oil to date.

MMBOE = Million Barrels of Fuel Oil Equivalent.

Reserve Summary

– Nube Grande	114 mmbo
– Mariposa	29 mmbo
– Beltran	85 mmbo
– Cala Cala	45 mmbo
– Bonanza	84 mmbo
– Baca	102 mmbo
– Andes	96 mmbo
– Rio Luna	40 mmbo
Total	**595 mmbo***

** Doima Formation alone*

Development and implementation of new energy technologies

This will become a key new business focus for the company. The identification and implementation of these types of technologies opens several avenues for potential revenue generation and profits. In some instances, new technology advances can be manufactured and sold to end-users after market acceptance. In other instances, the technology might provide a unique competitive advantage that can be successfully leveraged by EnDevCo in the acquisition and development of existing energy projects. The Company will utilize identified new technologies for the enhancement of oil and gas production to maximize production in current properties and gain leverage in the acquisition of additional oil and gas properties by making use of a perma-swab automated swabbing unit and a thermal pulse pumping unit.

OIL AND GAS EXPLORATION AND DEVELOPMENT OPTIONS

Gulf of Mexico

The Company has entered into a farm-in agreement with BT Operating Co. wherein the Company will participate in the drilling and completion of four wells in Eugene Island Block 294 and/or Chandeleur Block 14 to earn a 50% working interest in each block prior to December 31, 2007.The Company has also entered into a farm-in agreement with Noble Energy, Inc., Mariner Energy, Inc., and Entech Enterprises, Inc. which grants the company an assignment of their operating rights down to a depth of 12,600 feet upon the initial commercial completion of the "OC" pay sand. Open Choke Energy, LLC has a 67% interest in the farm-in agreement and EnDevCo has the remaining 33% interest.

The Company has designated Open Choke as the project Operator who will re-enter the existing East Cameron 71-7 well and attempt to complete the "OC" pay sand. In the event that this re-entry is not successful, EnDevCo has the right to drill a replacement well to test the "OC" pay sand within a reasonable time frame.

Pursuant to a joint participation agreement between EnDevCo and Open Choke, the Company will have access to the production platforms on East Cameron Block 71/72 Field which are equipped with all necessary production facilities and pipelines to support increased oil and gas production resulting from drilling and completing new wells.

Upper Magdalena River Region, 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 Magdelena Association Contract comprising 58,546 hectares (144,600 acres) situated in the Upper Magdelena River region of Colombia.

On June 25, 2005 the Company acquired 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.

Cleveland County, Oklahoma

On April 13, 2006, the Company acquired a 98.712% working interest with a 76.9954% net revenue interest in the West Short Junction Unit and a 100% working interest with a 78% net revenue interest in the Central Short Junction Unit hereinafter referred to as the ("Short Junction Field and/or the Field") located in Oklahoma City, Oklahoma through its subsidiary EnDevCo Eureka, LLC for a purchase price of $11.5 million. EnDevCo Eureka is owned 55% by its parent EnDevCo, Inc. and 45% by private investors who are related parties. These investors contributed $3.0 million in equity to enable EnDevCo to consummate the transaction. EnDevCo Eureka, LLC, managed by EnDevCo personnel, will be the Operator for the project which has an acquisition date of January 01, 2006.

Project financing was provided by GasRock Capital, LLC of Houston, Texas and takes the form of a $30.0 million credit facility. GasRock Capital provides project based mezzanine debt financing to the oil and gas industry by backing proven management teams that identify high quality exploitation projects like the Short Junction Field.

The 12,000 acre fully unitized Field currently consists of 20 oil wells and 1 gas well, 4 central collection and metering stages and 4 salt water disposal wells. The Field is currently producing a sustained 165 barrels of oil equivalent (BOE) per day comprised of 125 barrels of oil and 242 Mcf of gas, which represents a solid 40% production increase from April 13 to July 31, 2006. Since acquiring the Field, the ENDE has methodically performed maintenance activities on all oil wells to include improved chemical and hot oil treatments; pump jack re-alignment, bearing and rod replacement, beam compressor installation and pipeline integrity testing and cleanout. EnDevCo has also installed new pumps, a new water knockout and two new heater treaters for improved oil separation at the central collection and metering stages and terminated the re-injection of water into the Hunton reservoir by re-piping and installing a new salt water disposal well.

The Field purchase included full ownership rights to a field wide gas pipeline and gathering system that offers two independent taps to the interstate gas transmission system. Short Junction Field was originally developed by Conoco using vertical wells drilled on a 40 acre well spacing, resulting in oil and gas production from 270 active wells within the 12,000 acre leasehold. The Field currently contains 31 unplugged well bores of which 21 are currently active. EnDevCo plans an aggressive workover and recompletion program prior to December 31, 2006 which should significantly increase the current daily production.

Historically the primary zone of interest has remained the Hunton formation for oil production. However, above the Hunton, the Bartlesville, Prue, Red Fork and Skinner Sandstones along with the Pink Lime zones are present and most are indicated as productive based on well log analysis. Current bottom hole pressures recently measured in the Hunton indicate that formation pressure today is essentially the same as when the Field was originally placed on production. This unique characteristic occurs as a result of the fact that Conoco instituted a water flood pressure maintenance program in the early stages of developing the field. As a result of this pressure maintenance, the original gas cap in the Hunton reservoir has never been produced.

EnDevCo plans to implement a 3D seismic program over the leasehold later this year in order to pursue an aggressive horizontal drilling program in the Hunton formation to increase oil and gas production from that reservoir and to develop identified shallow gas sand reservoirs indicated on the subsurface well control.

GAS MARKETING

Gas produced from Short Junction Field (SJF) is gathered from each well and can be marketed to Duke Energy utilizing two taps into separate pipelines moving gas into two independent gas processing plants; the gas plant located east of the Short Junction Field is called the Goldsby Plant and the gas plant located to the west is called the Mustang Plant.

Goldsby Gas Plant

The Goldsby Gas Plant has a rated capacity of 10,000 MCFPD, however it is currently pipeline restricted and can only accept 500 MCFPD. This problem may be relieved in the future as New Dominion (no relation to DominionResources) is in the process of constructing its own gas processing plant and pipeline system to handle their gas production derived from re-drilling the old Oklahoma City Field. As soon as their new pipeline and plant are completed, the capacity constraints on this pipeline should be dramatically reduced. The SJF is presently supplying 400 MCFPD and other parties are supplying the balance.

Mustang Gas Plant

The Mustang Gas Plant has a rated capacity of 10,000 MCFPD. It is not pipeline constricted and currently has unused capacity of 6,000 MCFPD. This plant is on the Zurline pipeline, which is a 12-inch pipe with current line pressure of fifty pounds (50#). In September 2005, r.c. Taylor reactivated a 6 inch line that runs the entire north-south length of the West Short Junction Unit. This line has been pressure tested and has been transporting gas from the Dominion Resources #1-Rowland well since that time. EnDevCo can begin transporting gas through this newly refurbished line to the Mustang Gas Plant at any time. It is anticipated that during the first six months of operations in 2006, the gas production from Short Junction Field could increase to 2,500 MCFD. As the company's well head pressures are in the range of 1,600 psi, the Company will not require any compression to gain access to the Mustang Gas Plant.

SHORT JUNCTION FIELD GAS PRICE INFORMATION

EnDevCo has a gas purchase contract with Duke Energy, which is a Percentage of Proceeds contract. ENDE receives 91% of proceeds based on the average of Oneok Gas Transmission Company Oklahoma Index and NGPL Mid-Continent Index as reported in the first issue of McGraw Hill's Inside F.E.R.C. Gas Report or a comparable report. Duke charges an 8% fee for fuel and line loss (gathering and transportation). Gas volume is based on MMBTU. The BTU varies from 1008 to 1300 depending on the formation. A good average is 1150. **Basically, after the adjustment for BTU content and deduction for fuel, line loss, and Duke's percentage, ENDE receives spot price for its wellhead (mcf) gas volume.**

The current Production & Development of the various properties are summarized below:

Short Junction Field

- Current Production: 125 bpd & 242 mcfpd
- 10 Workovers: 3rd Qtr. 2006
- 12 Re-entries: 4th Qtr. 2006

The current annual cashflow of this venture will be $3.7 million at $60 per barrel of oil and $6/mcf or Net Operating Revenue of $2.5 million per year.

East Cameron Block 71

- Current Production: None
- 1 Re-entry: 4th Qtr. 2006

Rio Magdalena Exploration Area

- Current Production: None
- 1 Well: 2009

Eugene Island Block 294

- Current Production: None
- 2 Wells: 1st Qtr. 2007

RESERVES

Definition of oil reserves

Oil reserves are a primarily a measure of geological risk - the probability of oil existing and being producible under current economic conditions using current technology. The three categories of reserves generally used are proven, probable, and possible reserves.

- **Proven reserves (1P or P90)** - defined as oil and gas "Reasonably certain" to be producible using current technology at current prices, with current commercial terms and government consent- also known in the industry as 1P. Some Industry specialists refer to this as P90 - i.e having a 90% certainty of being produced.
- **Probable reserves (2P or P50)** - defined as oil and gas "Reasonaby Probable" of being produced using current or likely technology at current prices, with current commercial terms and government consent - Some Industry specialists refer to this as P50 - i.e having a 50 % certainty of being produced. - This is also known in the industry as 2P or Proven plus probable.
- **Possible reserves (3P or P10)** - i.e "having a chance of being developed under favorable circumstances" - Some industry specialists refer to this as P10 - i.e having a 10% certainty of being produced. - This is also known in the industry as 3P or Proven plus probable plus possible.

Reserve booking

Oil and gas reserves are the main asset of an oil company - booking is the process by which they are added to the Balance sheet. This is done according to a set of rules developed by the Society of Petroleum Engineers (SPE). The Reserves of any company listed on the New York Stock Exchange (NYSE), which in practice means virtually every commercial company in the world, have to be stated to the U.S. Securities and Exchange Commission. In many cases external geologists audit these reported reserves, although this is not a legal requirement. The U.S. Securities and Exchange Commission (SEC) rejects the probability concept and prohibits companies from mentioning probable and possible reserves in their filings. Thus, official estimates of proven reserves will always be understated compared to what oil companies think actually exists. For practical purposes companies will use proven plus probable estimate (2P), and for long term planning they will be looking primarily at possible reserves. Other countries also have their national hydrocarbon reserves authorities for example the GKZ - State reserves commission of Russia where companies operating in these countries have to report.

In late 2005, the Company conducted a 3rd party independent reserve valuation of its Short Junction Units. On October 12, the Company received a comprehensive report from Harper & Associates, Inc. A table summarizing the reserve estimates and future cumulative income (bfit), undiscounted and discounted at 10 % per year was included:

RESERVE TABLE

PROVED	PRODUCING	NON-PROD	BEHIND-PIPE	TOTAL
Gross Wells	27	8	24	59
Net Oil, STB	302,086	306,111		608,197
Net Gas, MCF	251,977		5,759,986	6,011,966
Net Revenue				
Oil - $	12,024,828	12,190,657	0	24,215,485
Gas - $	1,742,856	0	41,488,868	43,231,724
Total	13,767,684	12,190,657	41,488,868	67,447,219
Expenses - $	5,168,768	4,080,000	5,020,798	14,269,566
Investments $		1,275,000	3,822,000	5,097,000
Future Net Inc - $	8,598,917	6,835,657	32,646,070	48,080,644
Future Net Inc-10% DF - $	**5,356,135**	**3,799,052**	**22,295,311**	**31,450,498**

The report also reported on potential Hunton Oil & Gas Reserves. Conoco who previously conducted production at the property estimated that the original oil in place was 210,510,000 STB. Until September 1, 2005 the primary and secondary oil recovery was estimated to be 10%. Past records indicated that 34% of OOIP under waterflood could be recovered. The lower recovery reflects an ineffective injection project caused by early water breakthrough through fractures in the reservoir rock. Harper & Associates estimate of by-passed oil reserves is 8% of OOIP or 16,840,800 STB. During the primary phase of depletion, gas migrated to the top 655 acres of the reservoir. Recent bottomhole pressure indicates that this gas is at or near original reservoir pressure. For an average pay of 30 feet, a maximum current gas-in-place is 6.5 BCF. If a gas cap initially existed, a maximum gas-in-place could be 10.1 BCF.

The overall reserve position for all of the properties (in BOE) can be summarized as follows:

BOE RESERVES - EnDevCo Inc.

FIELD	PDP (mm)	PBP (MM)	PUD (mm)	Probable (mm)	RESERVES (mmBOE)
Short Junction	0.3	2.8	11.5	1.7	16.3
East Cameron - 71		7.0	1.2	TBD	8.2
Eugene Island - 294			10.7	TBD	10.7
Chandeleur - 14				TBD	
Rio Magdalena				595.0	595.0
TOTAL	0.3	9.8	23.4	596.7	630.2

FINANCIAL STATEMENTS

The company filed Form 10-QSB with comprehensive financial information and operational discussion with the SEC with regards to financial performance and developments for the first 6 months and second quarter of FY2006 (Q2 FY2006) on August 14, 2006. EnDevCo Inc. has its fiscal year-end on December 31. The results for the 6 months ended June 30, 2006 were reviewed.

As at 30 June, 2006, total current assets of the company totaled $1.468 million. Oil and Gas properties and equipment under the full cost method was reported as $15.121 million after making provision for $60,000 accumulated depreciation depletion and amortization expense. Total current liabilities were $3.738 million as at 30 June, 2006 consisting predominantly of Account payable of $2.62 million. Long term debt stood at $11.529 million consisting of notes payable details of which are provided in next section. The minority interest with respect to the Short junction property was reflected on the balance sheet as at the end of June 2006 as $3.711 million. Total shareholders deficit as at the same date stood at $2.389 million. Losses since inception have translated into a retained deficit to the value of $45.88 million.

During the first 6 months of FY2006, EnDevCo Inc. achieved total revenues of $951,527 and a gross profit of $538,542 for the six month period ending June 30, 2006 due to Short Junction production. The Company had no operating revenues for the same period in 2005. General and administrative expenses climbed to $902,180 from $63,354 during the comparable 2005 period due to consulting fees, while salaries and wages remained almost flat at $426,000. ENDE had total costs and expenses of $1.341 during first half of FY2006 that resulted in a net loss of $802,693 from operations. Other expenses came to a net amount of $196,746, which were as a result of $521,624 in interest charges being offset by $191,545 other income and a favourable income of $124,828 from a lawsuit settlement. The Company made a net loss of $999,438 before minority interest. Minorities were ($211,629) for the first 6 months to June 30,2006, resulting in a net loss of $1.211 million or $0.01 basis and diluted EPS loss on a weighted average number of shares used in basic and diluted loss per share calculations of 217,354,036.

At the annual shareholders meeting held on October 15, 2004, shareholders approved an increase in the total number of authorized Series A convertible preferred shares with a $0.01 par value from 5 million to 10 million. As of June 30, 2006, there were 6,115,020 shares outstanding. 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. During the quarter ended June 30, 2006, 25,000 shares of Preferred Stock were issued.

Notes Payable

EnDevCo has an **Advancing Term Credit Agreement with GasRock Capital LLC of up to $30,000,000** for the Short Junction field. The Company currently has a balance of $9,666,213. The interest rate is 12% annually, accrued monthly.

The Company has 3 additional notes payable totaling $1,813,224. All 4 notes accrue interest at the LIBOR monthly average interest coupon rate (5.3451% at June 30, 2006). The first two notes are in the amounts of $363,224 and $950,000 and are due and payable December 31, 2007. The last one in the amount of $500,000 is due and payable June 30, 2009. The maker of each note consists of the following related parties OCE Partners, LLC; OCE Interests, LLC; and OCE Advisors, LLC. All notes are unsecured.

Noteworthy financial and per share statistics are listed in the table found on page 1 of this report.

Liquidity and Capital Resources

As of the end of the 2nd Quarter, the company has total current assets of $1,468,740, cash reserves **of $799,036 and a remaining credit facility of $20,333,787** for the continued development of the Short Junction Field. As a result of the production increases EnDevCo continues to achieve at Short Junction Field, the company is well positioned to earn its first net operating profit later this year, according to Chris A. Dittmar, CEO. The company has secured financing with **credit facility of $30 million** from **GasRock Capital LLC** of which only $10 million has been used. This **provides EnDevCo with adequate resources to conduct its E&P program**. We believe this access to financing will enable the company to **leverage its high-quality assets** that the company has secured thus far that will ultimately be accretive to shareholder value.

The Company continues to invest in a cost effective work program designed to increase production from existing well bores in the Short Junction Field and will make additional announcements in the near future regarding recently completed operations once new production rates stabilize. These operations appear to have significantly increased both oil and gas production in the Field.

Despite slight negative cashflow from operations the Company managed to increase its cash reserves by $787,327 during the first half of FY2006. Cash used by operating activities totalled $64,527 during first half of 2006, cash provided by operating activities during same 2005 period was $5,610. Contributing to this increase was $25,000 in issuance of stock for salary, $750,500 in issuance of stock for consulting, $60,000 in depletion, a $97,103 decrease in prepaid expenses, a $294,321 increase in accounts receivable, a $23,455 increase in accounts receivable - joint interest, a $254,216 increase in accounts receivable - other, a $139,826 decrease in accrued interest, a $66,568 decrease in accounts payable, a $10,777 increase in accrued expenses, a $396,000 increase in accrued salaries and a $8,064 increase in taxes payable.

Cash Flow from Investing Activities was negative as the company purchased oil and gas property during 2006 in the amount of $12,314,359 for the Short Junction project. There were no cash flows from investing activities during 2005. Cash Flow from Financing Activities was positive and provided $13.166 million to ENDE during the period under review. The Company received capital contributions of $3,500,000 from private parties and has a note payable of $9,666,213 for purchase of the Short Junction project. There were no cash flows from financing activities during 2005. In recognition of the status of current financial resources available to ENDE, 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 limited revenue is currently generated from operations, the Company may have to raise additional working capital through the sale of its Common stock in the future if further financing is required or if financing cannot be obtained at terms reasonable to the company. 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 is exploring debt and equity financing.

RISK FACTORS /CONCERNS

The business model, and longer-term consistency of revenue and income potential, remain uncertain and is not fully proven. EnDevCo is **substantially dependent on the expertise of its management team and directors**, the loss of which could materially adversely affect future anticipated results. The company is still considered to be a **development stage company** and has not generated surplus revenues. The Company may not be able to generate sufficient funds to operate its business, which, could harm results and force the Company to curtail or cease plans for expanding operations. There can be **no assurance the company will be successful in its effort to secure additional financing, if needed** to support operations that will necessitate achievement of near and medium term goals.

The **oil production and exploration industry is inherently subject to changing conditions** that can affect levels of production and production costs for varying lengths of time and can result in decreases in profitability. There is a direct risk due to exposure to commodity prices related to input prices such as that of bentonite (volcanic ash used in drilling), rig and drilling equipment rates and exploration and maintenance costs most of which are not within control of the company. In addition, adverse weather conditions, equipment replacement or repair costs, floods, variations in thickness of the drilling layer other geological conditions can be expected in the future to have, a significant impact on operating results. Prolonged disruption of production at any well would result in a decrease in revenues and profitability, which could be material.

All revenues are **subject to the prevailing worldwide price for crude oil and spot prices. Prices received for oil and gas production have been and remain volatile and unpredictable.** If oil prices decline significantly, even if only for a short period of time, EnDevCo's revenues and cash flows would be materially adversely affected. The company has not disclosed official proven and probable reserve information in its recent 10-QSB. These figures usually represent estimates prepared by internal engineers and examined by independent petroleum consultants. Readers should note that the estimation of reserves is not an exact science. Estimates of economically recoverable oil and natural gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, any of which may cause these estimates to vary considerably from actual results. **The table showing the breakdown of reserves of exploration areas and leased prospects which we include in this report are compiled from company information and our own estimates and are not necessarily constructed from a scientific geological method. These results are numbers not verified by independent 3rd party evaluators (except the Short Junction Units) and should be considered as estimates only.**

Other factors affecting the production of oil that could result in decreases in profitability of EnDevCo, include problems arising at production sites due to company delaying and deferring maintenance due to lack of liquidity; changes in laws or regulations, including permitting requirements; litigation; work stoppages or other labor difficulties; any labor shortages; changes in the worldwide oil market and/or general economic conditions. **Financial performance relies substantially on EnDevCo's ability to exploit oil reserves at competitive costs. Replacement reserves may not be available** when required or, if available, may not be capable of being drilled at costs comparable to those characteristics of the depleting oil field or workover projects may not yield the same results as the well that once produced oil or gas. The Company may in the future acquire oil reserves from third parties and may not be able to accurately assess the geological characteristics of any reserves being acquired, which may adversely affect its profitability and financial condition.

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

EnDevCo 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 EndevCo Inc. in Colombia may be subject to embargo or other restrictions in support of U.S. Governmental policies. 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 EndevCo, up to and including the complete loss of these interests.

EndevCo anticipates 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 EndevCo. EndevCo's interests could also be adversely affected by changes in any contracts applicable to EndevCo's interests, including the renegotiation 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.

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 ENDE 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.

EnDevCo'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.

Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The **stock is thinly traded at prices below $1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity**. The reverse is true if one or more large investors decide to acquire a block of ENDE shares that would result in demand outstripping supply and result in an upward squeeze in the price given the scant liquidity and daily trading volume. **We caution that historical volume activity on EnDevCo will rank it as a relatively illiquid security** and we are unable to determine the direction of trading volumes in the coming months with any degree of certainty. Major dilution of common stock can occur if the Company issues large blocks of common stock or convertible securities are converted/warrants exercised into common stock, that can negatively impact on the value of the shares either theoretically, or if sold outright in the open market.

NASD and SEC Regulations covering rules on Penny Stocks apply for ENDE, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above mentioned and other risk factors are contained in the company's **SEC filings in Form(s) 10-KSB or 10-QSB and readers are encouraged to consult these documents.**

MANAGEMENT TEAM & BOARD OF DIRECTORS

Chris A. Dittmar – Chief Executive Officer & Director

Mr. Chris A. Dittmar is a director of the Corporation and additionally is serving as Chief Executive Officer and Corporate Secretary of EnDevCo, Inc.

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 it's 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.

Richard G. Boyce – Director & Chief Operating Officer

Mr. Richard G. Boyce is a director of the Corporation and serves as the Chief Operating Officer with responsibility for all activities of EnDevCo, Inc.

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. In July 1999, Mr. Boyce signed a 50/50 joint venture agreement with the predecessor company to EnDevCo 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 what has now become EnDevCo and through that merger became a substantial shareholder in EnDevCo.

Prior to his involvement with EndevCo, 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 l980, 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 l996, 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 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 (No. 2179) licensed by the State of Texas Board of Professional Geoscientists.

James C. Row – Chief Financial Officer

Mr. James C. Row serves as the Chief Financial Officer of EnDevCo. Mr. Row is an expert in various areas of energy finance, including; drilling programs, producer finance, project finance, as well as securities and risk management. In addition, Mr. Row has significant experience in infrastructure asset development and strategic planning activities.

Previously, from 1994 to 2001, Jim was responsible for business origination and development for El Paso Corp. and Enron Corp. For six years at Enron he was involved in a variety of business development and finance positions at Enron Capital & Trade and Enron International. Jim was a Vice President for Structuring and Bids for power, exploration and production, and energy service companies worldwide, where he was involved with and/or led over $8.0 billion worth of energy and infrastructure projects. Jim led the structuring and bid team for a $1.5 billion electric distribution company acquisition and over twenty other bids for energy assets worldwide. Mr. Row is also very experienced working with such multilateral banks as the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Inter-American Development Bank (IADB), various United States and Canadian export credit agencies and political risk in general.

From 1990 to 1994, Mr. Row worked at the IFC (The World Bank), in the Project Finance group for four years where he lead or participated in numerous project financings and portfolio supervision for more than thirty projects in eight countries. In addition, for over five years he authored most of the country/political risk pricing papers for Enron Corp. Jim also has worked for Smith Barney (now Citigroup-Salomon Smith Barney) and Dain Bosworth, Inc. (now RBC Dain Rauscher).

Jim holds a B.S. in Finance from the University of Wyoming, an M.B.A. in Finance from Arizona State University and a CAS from the American Graduate School of International Management (Thunderbird). He is a Chartered Financial Analyst (CFA) and maintains Series 7, 24, and 63 NASD securities licenses. Jim is also a member of the Houston Society of Financial Analysts, Turnaround Management Association, Houston World Affairs Council, and The Baker Institute. In addition, he is the Precinct Chair and Election Judge for his voting precinct and Committeeman for Houston Livestock Show & Rodeo.

Larry Swift – Controller

Larry Swift is the Controller of EnDevCo. Prior to working at EnDevCo, Mr. Swift worked in public accounting for 9 years specializing in corporate and individual tax practice. 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 received a Master of Science degree in Accounting and Tax from Texas Tech University and a Bachelor of Science degree in Accounting from the University of Nevada at Reno.

Mr. Swift is a Certified Public Accountant.

Directors

Richard G. Boyce – Director & COO

Mr. Richard G. Boyce is currently serving a three-year term as a director of the Corporation and additionally serves as the Chief Operating Officer with responsibility for all technical activities of EnDevCo.

John A. Brush – Independent Director

Mr. John A. Brush is currently serving a two year term as a non-executive independent director of the Corporation. Mr. Brush brings the experience and depth of a distinguished twenty-five year career in oil and gas law to the Board of Directors.

Mr. Brush is currently in private practice as an attorney and consultant in the energy business, whose clients include CDX Gas International LLC, Express Drilling Systems, LLC and other large and small oil and gas exploration and production companies, entrepreneurs and foreign government entities.

Earlier, Mr. Brush served as Vice President and General Counsel for Forcenergy, Inc. While serving in this capacity, Mr. Brush designed and implemented land acquisition and marketing 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 Degree. 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 – Independent Director

Mr. Charles R. Close is currently serving a two-year term as a non-executive independent director of the Corporation. Mr. Close brings the experience and depth of a distinguished career in accounting and taxation expertise specific to the energy business to the Board of Directors.

Mr. Close is the owner of Close & Associates, PC, a certified public accounting practice located in Houston, Texas that specializes in the energy industry. Mr. Close has been continuously employed in that practice for ten years. 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 a member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants.

Chris A. Dittmar – Director, CEO & Secretary

Mr. Chris A. Dittmar is currently serving a three year term as a director of the Corporation and additionally is serving as Chief Executive Officer and Corporate Secretary of EnDevCo with responsibility for all administrative activities of EnDevCo..

INVESTMENT THESIS AND RECOMMENDATION

Our analysis suggests that EnDevCo Inc. is an interesting speculative play among nano-cap companies offering exposure to the investor on oil and gas exploration and production projects on quality assets that holds great promise if sustained future revenue streams. The Company has a dual focus when employing its assets firstly to ensure certain assets provide near term cashflow to sustain operation and secondly the Company seeks to acquire and explore other assets that can provide equity upside to shareholders.

In the short term the Company is relying on its efforts at the Short Junction property to lift production and boost revenues in the second half of FY2006 and FY2007. ENDE has chosen this strategy, which is designed to extract value and capture reserves and production from a failed water flood project of a major oil company, Conoco. As a secondary consideration, ENDE can be viewed as a play on the worldwide commodity related boom spurred by Chinese economic growth together with the firming demand and the encouraging intermediate term outlook for energy. For stone-cold U.S. investors, the obvious play here is to simply tag along by taking positions in foreign and domestic companies supplying oil and gas.

Both operating and financial risk involved in investing in a young oil E&P company are typically high and should be considered by investors. In this case the operational risks associated with exploration and production include, risks associated with weather conditions, technical breakdowns, future reserve depletion, rising drilling and exploration costs and many others that can result in actual results differing from expectations that precede drilling and eventual commercial well production. There is no assurance that the production rates and past financial results achieved at ENDE oil exploration sites, will be sustained with the same quality and flow rates in future that meet or exceed the company's present expectations. Furthermore our recommendation assumes that the Company can add producing wells in the coming 12-18 months that will allow ENDE to significantly ramp its revenues in FY2007. Most input costs are relatively fixed and cannot be influenced or determined by management, which can have an adverse effect on profitability.

Readers should understand that there can be no assurance that the company will be able to fast-track its intended path towards re-initiating and raising prior production levels at its Oklahoma property, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value. The future spot price of Crude oil and Natural gas (both traded on NYMEX) is one of the biggest unknowns and does and will play a material role in the financial performance of ENDE in the short, medium and long term. Having Said that, ENDE has its oil production hedged between $60-$80 per barrel.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to ENDE should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind additional production to follow from workover, recompletion and other exploration projects and the impact of new 'booked' reserves from its Gulf of Mexico and Columbian properties to be unlocked and reflected in the stock price. Short term we expect ENDE stock to remain volatile and encounter pressure until the current flurry of selling in NYMEX oil and gas futures abates.

Under the assumption that the Company can grow organically and utilize its new key financing to access the value of its assets, and that the present weakness in energy prices is but temporary (a pullback in a larger wider context bull market), ENDE can start its ascent towards our 12-month price target of $0.70 in the medium term. The timing of an improvement in the price of ENDE will be spurred along in our view as operational progress is made and disclosure and reporting to shareholders improves further. In the medium term a major risk factor may involve that additional capital raising or stock offering may be needed to fund growth and enable to company to embark on its full drilling program, geological studies and to acquire options on other properties.

One of the core reasons which is pivotal to our bullish argument for upside in ENDE, follows from our interpretation of the data and analysis of what we perceive to be a conservative preliminary unscientifically estimated reserve position (of near 600 million BOE) for all present and future E&P sites, of which the Oklahoma site have proven reserves and have been studied geologically.

Our assessment is that the large discount between this present value (PV) of reserves valuation (before deducting liabilities and adding cash) (at $121.4 million) and the market capitalization of ENDE ($10 million) presents the investor with an undeniable value opportunity, assuming that crude oil prices can average around present levels that allows ENDE to earn BOE Net back of around $30 per barrel if ENDE is able to successfully continue its present operations and implement its recompletion program successfully.

We believe the shares have compelling value, even if we focus solely on proven reserves as opposed to looking at proven and probable or some larger measure that involves a greater reserve number.

The value was calculated assuming 31.6 million barrels of proven reserves and assuming that reserve yields production over a 20 year period with the oil at BOE Net Back amount of $30 per barrel. If these revenue streams are discounted back into present value terms over a 20 year period (assuming the period until depletion of this reserve), at a rate of 10% it yields a value of roughly $403 million. Depending on the flow rates and present daily production rates at past producing wells that can be realized, and the faster ENDE is able to commercialize new and workover wells, the greater the scope to exceed present expectations, which will make the future return prospects from taking a stake in this company at a steep discount to reserves even more compelling.

When using 235 million shares outstanding and stripping out the effects o cash and the long-term debt of EnDevCo Inc, we arrive at an Adjusted Reserve Value per Share of $1.73, which is our independent calculation of a realistic value of ENDE stock using reserves as valuation method. Based on Q2 FY2006 results and comments provided by the company, we expect financial performance to gain pace and more clarity on near term production levels to arise during the latter half of the coming financial year (FY2006) that should provide a positive catalyst for the stock. Under the assumption that capital raising activity is well-managed (if needed) and expecting ENDE to lift production and revenues substantially in FY2007, as more progress is made to boost production levels at former producing sites and for its drilling programs to bear fruit, while strong US and worldwide demand for crude oil prevails, we are of the opinion that ENDE stock has major upside potential on multiple factors.

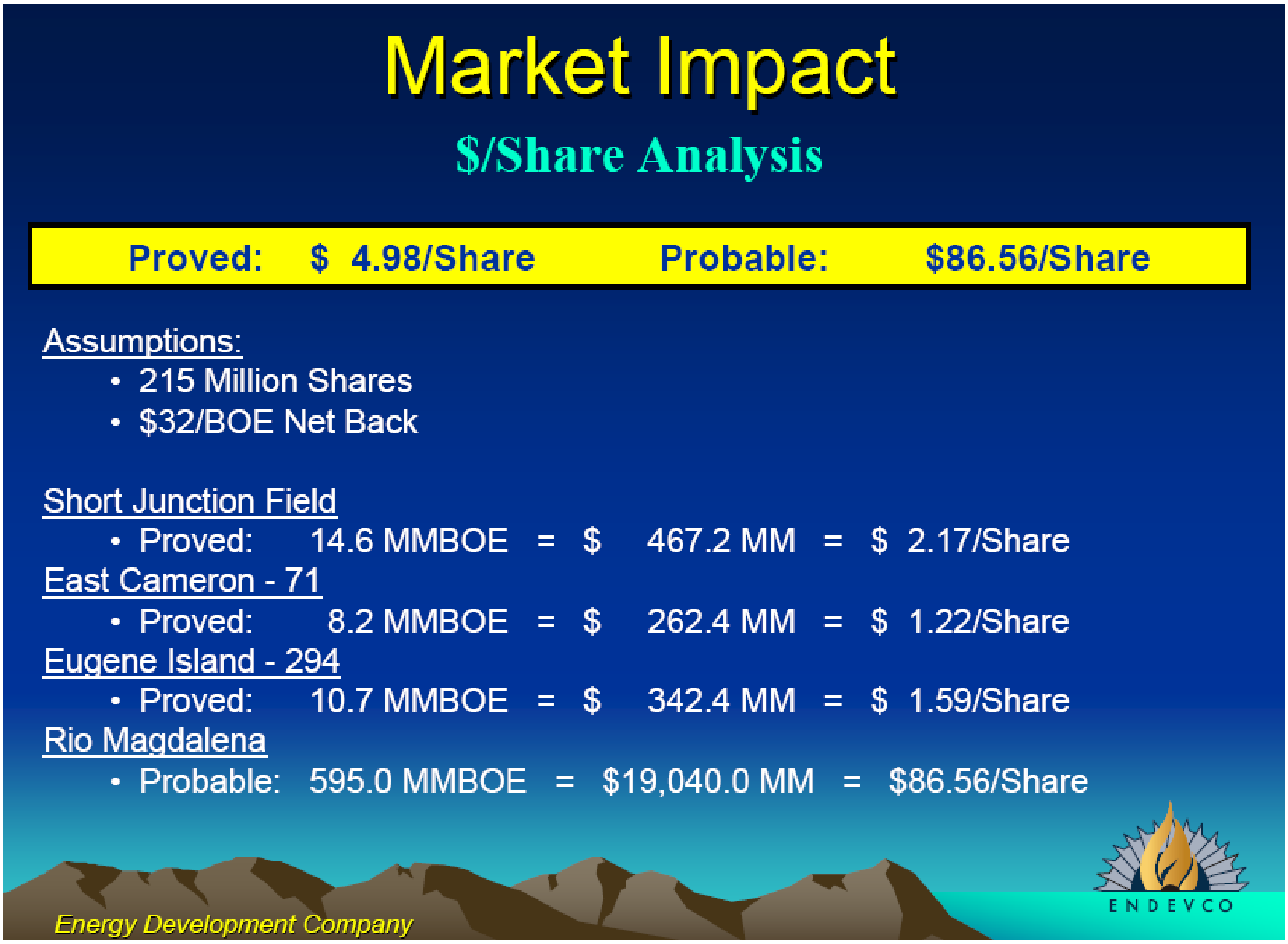
The Company initially concentrated on refurbishment of the existing Field infrastructure primarily due to the time required to identify, design, permit and commence new operations. EnDevCo has now established reliable field operations and developed a 'pipeline of new projects' for a solid foundation for future production growth. Given these calculations and our bottom up analysis, which is also qualitative in nature, we set a 12-month target price for the security of $0.70. Our 12 month target price is set at $0.70 which is a blend between [0.6 x our Adjusted Reserve Valuation per share metric of $1.73] and discounting for 1 year at the required rate of return and the price derived from our PE methodology. This target price of $0.70 implies a forward PE of 17.0x our FY 2007 EPS forecast of +4c.

EnDevCo's stock has languished as the Company has cleaned up its balance sheet and acquired new oil and gas properties. Now that the Company has acquired sufficient financing to develop its oil and gas properties, EnDevCo's stock will rise in direct proportion to its production.

All factors weighed, we anticipate a stake in ENDE still has compelling upside potential in the coming 12-24 months in light of the fact that negligible value is assigned to possible added value and incremental production benefit that will be realized when the new commercial wells start production and additional proven reserves are added in the Gulf or Columbian properties. We believe an increase in 1P reserves as defined in the section on RESERVES on Page 10 is highly likely. Readers should be aware that we have been more conservative in our application of reserves in our valuation framework. Internal estimates of oil and gas reserves suggest that EndevCo may be worth far in excess of what we have targeted here. The table on the following page is taken from a company presentation at the ValueRich Small-Cap Financial Expo (held March 8-9, 2006) showing a $/share analysis that dwarfs our own valuation, but we include it to illustrate the vast upside potential that is possible if the company can convert these stated reserves to 1P (proven reserves).

We HIGHLIGHT to the reader that our bullish view and forecasts for ENDE is made under the assumption that the well recompletion program at the Short Junction Field progresses smoothly, E&P work remains on track and the company's internal production targets are attained. It is also made assuming ENDE can lift current production significantly by bringing roughly 22 wells back into commercial production in the next 12-18 months. Moreover, we believe that the present market for ENDE shares is far from efficient, does not fully reflect the leverage possible from a ramp in production and revenues that we expect and developments that can result in higher reserves that can enhance productivity if new oil assets are added in a strategic manner, which can be done in synergistic fashion. Our forecast is also made under the assumption that the company can attain our net operating revenue estimate for FY2007 of approximately $19.5 million.

We regard the present market capitalization as modest in light of the current reserves calculations we computed above. Under these assumptions we initiate coverage on ENDE with a SPECULATIVE STRONG BUY rating.



Risk to our recommendation include amongst other: failure of new drilling projects to come on-stream as projected, unforeseen production difficulties in the near or medium term from flooding or other factors, a slowdown in production or failure to operate wells at historic flow rates an unexpected decline in oil prices that will lead to a contraction in forward PE multiple assumptions and dampen the reserve valuation, a steep rise in drilling and production costs or unanticipated problems obtaining production equipment or drill rigs, new fees and/or any adverse regulatory changes in the markets it conducts operations. New competition in its regional market by other larger oil producers, tax expense accounting changes, any inability to obtain necessary financing from capital markets when needed, to continue its business projects and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.

We would caution that given the size of the company (nano-cap) and risks involved, overall we advise positions be limited below 5% of the client's total portfolio size.

See Appendix A-1 for Analyst Certification and Important Disclosures.

ANALYST CERTIFICATIONS APPENDIX A-1

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report.

Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the companys rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

Clients of the analyst firm collectively own less than 1 percent of total shares outstanding of the issuer. For securities recommended in this report the firm is not a market maker, but may from time to time provide bids and offers and may act as principal in connection with such transactions to facilitate trading liquidity or execution. The firm of the analyst does not actively seek to do investment banking business with the company covered in this research report. This independent analysis and judgment relies on material supplied by the subject company and other sources, such as SEC filings believed to be reliable. The analyst that prepared this report cannot guarantee the information contained herein for accuracy or completeness.

All information contained in this report is subject to change without notification. The information contained in this report is not intended to be, and shall not constitute, an offer to sell, nor solicitation of any offer to buy, any security. Investors are advised to consult their personal broker or investment advisor before making any decision concerning the subject company. Investors are also urged to do their own due diligence. In our opinion, only high risk-oriented investors who can risk the loss of their entire investment should even consider a commitment to the covered company.