

ENDEVCO INC

FORM 10-K (Annual Report)

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Address	2425 FOUNTAIN VIEW SUITE 215 HOUSTON, TX 77057
Telephone	7139774662
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Industry	Oil & Gas Operations
Sector	Energy
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE YEAR ENDED DECEMBER 31, 2008.

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 (IRS Employer Identification
organization) No.)

Three Riverway , Suite 825, Houston, TX 77056
(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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

The aggregate market value of common stock held by non-affiliates of the registrant at June 30, 2008, based upon the last closing price on the OTCBB on June 30, 2008, was \$74,556,731. As of March 31, 2009, there were 70,971,647 shares of Common 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.

Transitional Small Business Disclosure Format: Yes No

ENDEVCO, INC.
AND SUBSIDIARIES

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PART I

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. In September 2003, the Company changed its name to EnDevCo, Inc. and its stock symbol to ENDE. On March 11, 2008 the Company executed a reverse stock split and the trading symbol was changed to EDVC. EnDevCo, Inc., a shortened version of the "Energy Development Company", establishes an identity that is consistent with the Company's current business development activities. The Company is actively negotiating to participate in several oil and gas projects both domestically and internationally within the traditional industry 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 South America. The Company is also investigating investment in the development of new technologies for the enhancement of oil and gas production and the utilization of that technology to further acquire oil and gas production.

ITEM 2. DESCRIPTION OF PROPERTIES

OIL & GAS EXPLORATION

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, 2009.

The Company has also entered into a farm-in agreement with Mariner Energy, Inc. which grants the Company an assignment of their operating rights down to a depth of 12,800 feet upon the initial commercial completion of the "OC" sand in East Cameron Block 71. Open Choke Exploration, 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 drill the East Cameron 71-9 well and attempt to complete the "OC" sand. In the event that this well is

not successful, EnDevCo has the right to drill a replacement well to test the "OC" 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.

Block XXIV, Peru - Following an extensive bidding process, a consortium including EnDevCo was awarded the exclusive concession to develop the Block XXIV prospect area located in northwest Peru. EnDevCo owns 20% of the consortium. Covering more than 276 thousand acres, the block contains both onshore and offshore prospects. The area is bracketed by recent discoveries to the immediate north (Olympic) and south (Olympic and Petrotech). The primary target horizon for the off shore area is the naturally fractured Amotape formation of Paleozoic age (quartzites, slates, etc.). This target formation boasts similar characteristics to those that have produced oil in the nearby Portachuelo Field and, more recently, the offshore San Pedro discovery. The reinterpretation of well logs using new technology indicates pay in target formation. Northwest Peru has solid infrastructure and substantial power demand, creating a ready-market for gas. For EnDevCo, the region represents an excellent opportunity for an integrated gas-to-power project.

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Cleveland County, Oklahoma - On April 13, 2006, the Company acquired a 98.712% working interest with a 70.085% net revenue interest in the West Short Junction Unit and a 100% working interest with a 71% 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, LLC 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, is the Operator for the Field which has an acquisition date of January 1, 2006.

Project financing was provided by GasRock Capital, LLC of Houston, Texas and takes the form of a \$50.0 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 24 oil wells and 2 gas wells, 4 central collection and metering stages and 4 salt water disposal wells. As of December 31, 2008, the Field is producing 147 barrels of oil equivalent (BOE) per day comprised of 107 barrels of oil and 237.

Since acquiring the Field, the Company has methodically performed maintenance activities on all oil wells to include improved chemical and hot oil treatments; new pump jacks, existing 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 34 unplugged production well bores of which 26 are currently active.

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.

The DeGolyer & MacNaughton proved reserves evaluation for the Short Junction Field as of December 31, 2008 is 22,238,644 barrels of oil equivalent as follows:

Reserves Classification	Gross Oil (Bbl)	Gross Gas (Mcf)
Proved Developed Producing	345,574	182,305
Proved Developed Non-producing	0	5,691,032
Proved Undeveloped	14,380,076	39,204,625
Total:	14,725,650	45,077,962

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.

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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., Three Riverway, Suite 825, Houston, TX 77056, Tel: (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.

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 1997. However, the Company currently has operations that provide working capital. The Company is also seeking further project based financing to develop its existing projects. There is no assurance that the Company will be able to secure adequate financing to fund those operations.

Insufficiency of Working Capital

As noted above, the Company has a historical working capital deficit which current operations are now reversing. In addition, a Securities Registration Statement will be prepared this year to allow for the sale of Common stock to raise additional working capital for 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.

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 South America. 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 South America may be subject to embargo or other restrictions in support of U.S. Governmental policies.

Peru

Peru remains a challenging political climate for the conduct of international business. While the security and business climate remain sound, any negative changes in the political climate of Peru could have a negative impact on the Company, up to and including the complete loss of interests in the country.

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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.

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ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings for the Year Ended December 31, 2008:

As of June 1, 2007, the law firm of Phillips & Akers, P.C. ("A&P"), are the attorneys of record for the Company in a case styled: Cause No: 2006-34662; Farzad Askari v. EnDevCo, Inc.

Mr. Askari filed a breach of contract case claiming the Company (the Defendant) had not paid Mr. Askari (the Plaintiff) for work he did as an alleged consultant in 2002 for John W. Adair and Adair International Oil & Gas, Inc. The Company believed that Mr. Askari was never a consultant for the Company and never performed any work for the Company and therefore was not entitled to receive any compensation from the Company.

The case went to trial and the jury's verdict was that Mr. Askari was not entitled to any compensation and that judgment was entered on January 11, 2008. All of Mr. Askari's post trial motions to date have been unsuccessful; however, he filed notice of appeal. Appellate briefs have been filed by both parties and oral arguments are to be heard on May 7, 2009 by the 14th Court of Appeals.

A&P are the attorneys of record for the Company in a case styled: Cause No: CJ 07 1859 L; Basic Energy Services, LP v. EnDevCo Eureka, LLC. et al.

Basic Energy Services has filed a breach of contract case claiming EnDevCo Eureka, LLC (the Defendant) has not paid for goods and services that are in dispute between the parties. Following a review of all disputed invoices, the Company signed a settlement agreement on July 07, 2008 with the Plaintiff. The Company has paid 60 percent of the settlement amount, but remains in default until the remaining balance is paid.

As of May 15, 2008, A&P and J. John Hager, are the attorneys of record for the Company in a case styled: Cause No: CIV-08-0395-HE; KAL Drilling Inc. v. EnDevCo Eureka, LLC. et al.

KAL Drilling has filed a breach of contract case claiming EnDevCo Eureka, LLC (the Defendant) has not paid for goods and services that are in dispute between the parties. The Company has denied all of Plaintiff's allegations and filed a counterclaim against the Plaintiff on May 15, 2008 for breach of contract, misrepresentations, fraud, negligence and gross negligence.

The Company is a party to various claims, but is not a party to any other litigation at this time. 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 October 6, 2008. The Notice Date of this Proxy Statement is October 6, 2008. Proxy materials including the Proxy Statement, Proxy Ballot Card and the 2007 Form 10-K/A were mailed to all shareholders of record on or about October 6, 2008.

The Board of Directors of the Company fixed the close of business on September 12, 2008 as the record date for the determination of shareholders entitled to notice and to vote at the Annual Meeting. As of September 12, 2008, the Corporation had 71,941,353 outstanding shares of Common 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 31, 2008 as the date for the Annual Meeting of Shareholders, which was convened at 3000 Richmond Avenue, Suite 370, 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 two (2) directors to the Board of Directors for a term of three (3) years.
- Proposal to ratify of the appointment of Killman, Murrell & Company PC as the Corporation's independent accountants for fiscal 2008.
- Establishment of the Company's stock option plan at 10 million shares of common stock.

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 "EDVC." 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
2008	Dec 31	\$ 2.99	\$ 0.82
	Sep 30	\$ 4.55	\$ 2.05
	Jun 30	\$ 5.55	\$ 2.50

ITEM 7. 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

EnDevCo, Inc., a shortened version of the "Energy Development Company", establishes an identity that is consistent with the business development activities currently underway in the Corporation. The Company is actively negotiating to participate in several oil and gas projects both domestically and internationally within the traditional industry 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 South America. The Company is also investigating investment in the development of new technologies for the enhancement of oil and gas production and the utilization of that technology to further acquire oil and 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.

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Internationally, the Company has identified several other exploration projects that carry significant upside potential (although at higher risk). The Company currently holds an interest in the Block XXIV in Peru. Our exploration teams are also evaluating other opportunities located in Canada, South America, North Africa and the Middle East.

Gulf of Mexico Option - 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, 2009.

The Company has also entered into a farm-in agreement with Mariner Energy, Inc. which grants the Company an assignment of their operating rights down to a depth of 12,800 feet upon the initial commercial completion of the "OC" sand in East Cameron Block 71. Open Choke Exploration, LLC has a 67% interest in the farm-in agreement and EnDevCo has the remaining 33% interest.

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Since acquiring the Field, the Company has methodically performed maintenance activities on all oil wells to include improved chemical and hot oil treatments; new pump jacks, existing 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.

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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 34 unplugged production well bores of which 26 are currently active.

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.

The DeGolyer& MacNaughton proved reserves evaluation for the Short Junction Field as of December 31, 2008 is 22,238,644 barrels of oil equivalent as follows:

Reserves Classification	Gross Oil (Bbl)	Gross Gas (Mcf)
Proved Developed Producing	345,574	182,305
Proved Developed Non-producing	0	5,691,032
Proved Undeveloped	14,380,076	39,204,625
Total:	14,725,650	45,077,962

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.

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

EnDevCo's management team has extensive experience and expertise in the area of power plant development, operations and commercial management. The Company intends to leverage these capabilities by developing integrated gas-to-power and greenfield development projects in markets that create additional value through the gas-power delivery option.

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.

COMPARISON OF YEARS ENDED DECEMBER 31,			
Line	Description	2008	2007
1	Revenues	\$ 3,158,650	\$ 1,785,259
2	Cost of Revenues	\$ 1,347,417	\$ 1,566,650
3	Costs and Expenses	\$ 1,540,671	\$ 2,116,314
4	General and Administrative Expense	\$ 960,010	\$ 1,126,152
5	Salaries and Wages	\$ 522,191	\$ 949,500
6	Shareholder Services	\$ 58,470	\$ 40,662
7	Other Income and (Expenses)	\$ (4,399,855)	\$ (3,625,018)
8	Interest and Other Income	\$ 136,230	\$ 86,608
9	Hedging Income(Loss)	\$ 926,512	\$ (1,595,010)
10	Write-off of Colombia option	\$ (1,000,000)	--
11	Interest Expense	\$ (2,197,307)	\$ (2,116,616)
12	Round-up Shares	\$ (2,465,380)	--
13	Lawsuit Settlement	\$ 200,000	--

Line 1 - During 2008 the Company generated from the Short Junction property \$2,859,232 in oil sales, \$286,356 in gas sales and \$13,072 from pipeline transmission. The overall revenue increase of \$1,373,391 from 2007 consists of a \$1,442,784 increase in oil revenue, a \$50,497 decrease in gas sales and an \$18,891 decrease in pipeline revenue. During 2007 the Company generated from the Short Junction property \$1,416,448 in oil sales, \$336,842 in gas sales and \$31,969 from pipeline transmission. The overall revenue decrease of \$133,925 from 2006 consists of a \$194,782 decrease in oil production, a \$75,177 increase in gas production and a \$14,320 decrease in pipeline revenue.

	Years Ended December 31,	
	2008	2007
Gross Production from Short Junction Property		
Oil (Bbl)	40,236	29,872
Natural Gas (mcf)	42,085	73,370
Revenues		
Oil	\$2,859,232	\$1,416,488
Natural Gas	\$286,356	\$336,842
Pipeline	\$13,072	\$31,969
TOTAL	\$3,158,650	\$1,785,259

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Gross oil production from the Short Junction property increased by 10,364 barrels in 2008, when compared to 2007. The increase in production is directly attributable to the WSJ109StH well that was put into full production in March. Gross oil production from the Short Junction property decreased by 3,260 barrels in 2007, when compared to 2006. This lower production amount is primarily attributable to oil wells being taken out of service for work-over. As the Company shifts focus away from work-overs to drilling horizontal wells, management does not believe that this trend will continue in the coming year. During 2006, gross production from the Short Junction property natural gas wells increased by 14,378 mcf. This increase is primarily due to the fact that work-over on these wells were completed in 2006. Management expects production at this level from the wells in the future.

Line 2 - Cost of Revenues during 2008 and 2007 was primarily due to the costs of running the Short Junction property. In 2008, lease operating expenses were \$733,570, as compared to \$985,709 in 2007 and to \$791,291 in 2006. The variations in lease operating expenses were the direct result of the Company's activity under the work-over program which peaked in 2007. In the future, the Company will focus on increasing production by drilling additional wells. Management expects lease operating expenses to increase as more wells are brought on line. Production taxes are a direct function of the gross production figures. In 2008, production taxes were \$226,566.

Depreciation, depletion and amortization ("DD&A") of proved oil and gas properties is calculated under the units of production method, following the successful efforts method of accounting. For the year ended December 31, 2008, depletion of our proved oil and gas properties was \$387,281 as compared to \$454,740, for the year ended December 31, 2007.

Line 3 - Costs and Expenses overall decreased \$575,643 during 2008 relative to those incurred in 2007. By comparison, Costs and Expenses overall were also decreased by \$764,795 during 2007 over 2006. The detail explaining this increase is shown on lines 4 through 6 below.

Line 4 - General and Administrative Expense decreased by \$166,142 in 2008 over the previous year. In 2007, General and Administrative Expense decreased by \$834,773 over the previous year. As the management continues to implement its strategy for the Company, it will look to bring more resources in-house, reducing the need for external consultants.

Line 5 - Salaries and Wages decreased by \$427,309 in 2008 due to lower salary expense and a write-down of accrued salaries. As management continues to implement its strategy for the Company, it will look to bring more resources in-house, which is expected to lead to increased salaries and wages in the future.

Line 6 - The increase in Shareholder Services costs of \$17,808 is directly related to the reverse stock split completed in March.

Line 7 - Other Income and Expenses decreased overall by \$774,837 in 2008 as compared to a decrease of \$3,992,524 during 2007. The detail explaining this decrease is shown on lines 8 through 11 below.

Line 8 - Other Income during 2008 was \$136,230 which was primarily due to the settlement of certain accounts payable.

Line 9 - Hedging Loss during 2007 was \$1,595,010 as compared to a gain of \$926,512 in 2008. To mitigate revenue volatility associated with fluctuations in oil prices, the Company put in place certain swap arrangements. Any gain or loss under those instruments is a direct result of the changes in oil prices.

Line 10 - 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 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 expired on December 31, 2008 resulting in the write-off of \$1 million of capitalized development costs.

Line 11 - During 2008 the Company incurred Interest Expense of \$2,197,307. Short Junction Field note payable interest was \$1,727,976. Interest on various outstanding obligations was \$388,640. During 2007 the Company incurred Interest Expense of \$2,116,616.

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Line 12 - A one-time charge of \$2,435,960 was taken for shares issued to shareholders following the reverse split of March 10, 2008 to round up each shareholder's position to a full lot.

Line 13 - In 2008 lawsuit settlement proceeds were \$200,000 due to the settlement of the Basic Energy Services lawsuit.

LIQUIDITY AND CAPITAL RESOURCES

COMPARISON OF YEARS ENDED DECEMBER 31,		
	2008	2007
Sources and Uses of Cash		
	2008	2007
Net cash provided by/(used in)		
Operating activities	\$ 1,496,510	\$ (1,297,385)
Investing activities	\$ (1,377,329)	(1,407,588)
Financing activities	\$ (73,925)	\$ 1,642,114
Increase/(decrease) in cash and cash equivalents	\$ 45,256	\$ (1,062,859)
	=====	=====
	At December 31,	
Cash and cash equivalents	\$ 46,391	\$ 1,135
	=====	=====

Cash Flow from Operating Activities

2008

Cash provided by operating activities total \$1,496,510 in 2008, an increase of \$2,793,895 when compared to 2007. During 2008, the Company shifted its focus away from its work-over program to increasing production by drilling additional wells, which resulted in lower operating costs and higher production and revenues. Additional factors contributing to the change in operating cash flow include:

- For the reasons discussed above, depletion expense decreased by \$67,459 in 2008 with respect to 2007; and
- In 2008, salaries and wages were decreased by \$258,059 over the previous year.

2007

Cash provided by operating activities totals \$(1,297,385) in 2007, a decrease of \$3,150,195 over 2006. Throughout 2007, the Company implemented a work-over program on the producing oil wells, which resulted in higher operating expenses and lower production and revenues. Additional factors contributing to the change in operating cash flow include:

- In 2006, the Company issued \$1,628,300 in stock for consulting services as compared to \$220,240 in 2007
- Interest expense increased by \$952,577 in 2007 over 2006; and
- In 2006, the Company's accounts payable increased by \$685,049 as compared to \$135,172 in 2007.

Cash Flow from Investing Activities

2008

Cash used by investing activities total \$1,377,329 in 2008, an increase of \$30,259 when compared to 2007.

2007

Cash used by investing activities total \$1,407,588 in 2007, a decrease of \$13,909,997 when compared to the 2006 investment in the Short Junction Field project.

Cash Flow from Financing Activities

2008

Cash used by investing activities total \$73,925 in 2008, an increase of \$1,716,784 when compared to 2007.

2007

Cash provided by financing activities total \$1,642,114 in 2007, a decrease of \$12,874,946 when compared to 2006 due to the borrowing required to close the Short Junction Field acquisition.

Directors and Officers Compensation

The Company currently has limited cash reserves and cash flow from operations. Until December 31, 2005 the Company's Directors and Officers received compensation payment in Series A Preferred stock in lieu of cash consideration for managing the Company. Beginning January 1, 2006, Officer salaries have been accrued.

In an effort to improve the Company's balance sheet, on September 30, 2008 the Company's employees and Directors were issued restricted shares of common stock as payment in kind for accrued salaries and Director's fees. 683,909 shares were issued at the closing price of the stock on September 30, 2008 (\$2.70 per share) to settle accrued salaries and Director's fees in the amount of \$1,846,556.

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.

The Company intends to raise 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 is exploring debt and equity financing.

ITEM 8. FINANCIAL STATEMENTS

The information required hereunder is included in this report as set forth on pages 26 - 44.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A(T). CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Company management has established and maintains a system of disclosure controls and procedures to provide reasonable assurances that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The Company staff carried out an evaluation, under the supervision and with the participation of Company management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of December 31, 2008. The Chief Executive Officer and the Chief Financial Officer have determined that, as a result of the implementation of the remediation plan described below, our disclosure controls and procedures were effective on December 31, 2008 to ensure that information required to be disclosed by us in reports that we file or submitted under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Company management, based upon the substantial work performed during the preparation of this amended report on Form 10-K, has concluded that information we are required to disclose in under the Exchange Act was accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow decisions regarding required disclosures on this Form 10-K.

Management's Report on Internal Control over Financial Reporting

Company management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit timely preparation of the Company's financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of the management and Board of Directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

In order to evaluate the effectiveness of our internal control over financial reporting as of December 31, 2008, as required by Section 404 of the Sarbanes-Oxley Act of 2002, management conducted an assessment, including testing, based on the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management has reported to the Audit Committee the identification of one material weakness (as such term is defined under the Public Company Accounting Oversight Board Auditing Standard No. 2) in internal control over financial reporting.

Management Identified Material Weakness

The Company failed to timely file a current report on Form 8-K upon the occurrence of the Default Notice and Acceleration Notice under the Credit Agreement with GasRock, and the July 22, 2008 Limited Forbearance Agreement pursuant to which Gas Rock agreed to refrain from pursuing remedies for a limited time.

Additionally, the Company's Form 10-Q for the quarter ended March 31, 2008, filed on May 15, 2008, and the Company's Form 10-Q for the quarter ended June 30, 2008, filed on August 19, 2008, (i) did not disclose the above matters, (ii) continued to report the \$13.6 million balance of the Credit Agreement note payable as a noncurrent liability, and (iii) represented under Item 3 in Part II of these filings that there were no events of default. These matters were disclosed on a current report on Form 8-K that the Company filed

on October 28, 2008. The management has determined that this failure to timely report these events constitutes a material weakness.

Remediation Plan

The Company's management has taken measures to enhance the ability of our systems of disclosures controls and procedures to timely identify and respond to changes in securities filing regulations that are applicable to us, which management believes will remedy this material weakness. The Company has adopted a new policy whereby future matters of any nature with a lender, notwithstanding the probability of occurrence or the extent of any potential penalties, are to be immediately submitted to the Company's securities lawyer and auditor for consultation. This remediation plan was implemented as of December 3, 2008.

Based on its evaluation, because of the implementation of the remediation plan described above, management concluded that effective internal control over financial reporting was maintained as of December 31, 2008, based on the specified criteria. Correcting the identified material weaknesses, continuously strengthening our internal controls and financial reporting capabilities are our highest priorities. The Company's management and audit committee are committed to a sound internal control environment and will continue a review of all internal and disclosure controls to include our information technology and financial reporting systems to strengthen and improve them.

The changes described above are the only changes in the Company's internal controls over financial reporting for the fiscal quarter ended December 31, 2007, that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

PART III

ITEM 10. 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	52	Director - Chief Operating Officer
John A. Brush	51	Director
Frederick Cedoz	33	Director
Charles R. Close	48	Director
Chris A. Dittmar	61	Director - Chief Executive Officer, Corporate Secretary
Joseph Lessard	43	Chief Financial Officer, Vice President Americas

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). The shareholders approved the following: two (2) members to serve three (3) years; Richard G. Boyce and Chris A. Dittmar, two (2) members to serve two (2) years; John A. Brush and Charles R. Close and one (1) member to serve one (1) year. At the Annual Shareholder Meeting held on October 30, 2006 the shareholders re-elected Richard G. Boyce and Chris A. Dittmar to each serve a three (3) year term. At the Annual Shareholder Meeting held on October 26, 2007 the shareholders elected Frederick Cedoz to serve a three (3) year term. At the Annual Shareholder Meeting held on October 31, 2008 the shareholders re-elected Charles R. Close and John A. Brush to each 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.

BIOGRAPHIES

Richard G. Boyce - Director and Chief Operating Officer: Mr. Richard G. Boyce is currently serving a three year term as a Director and additionally serves as the Chief Operating Officer for the Corporation.

Mr. Boyce maintained an active geological/geophysical consulting practice in Dallas, Texas serving both major and independent oil and gas companies world wide from 1996 - 2006. He is an internationally recognized leader in the application of computer technological advances to the field of geoscience.

In 1996, Mr. Boyce started Partners In Exploration, LLC ("PIE"), an exploration consulting company that provided seismic and geological interpretation services. Mr. Boyce negotiated a memorandum of understanding with the Republic of Yemen in 1998 for exploration on Blocks 20 and 42. In 1999, Mr. Boyce signed a 50/50 joint venture agreement with the predecessor company to EnDevCo to pursue Yemen Block 20 and successfully negotiated a production sharing agreement with the Yemen government. Mr. Boyce merged PIE with what has now become EnDevCo and through that merger became a substantial shareholder in the Corporation.

Mr. Boyce began his career in 1979 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 ("Hunt Oil") during his ten-year stay in the Permian Basin. In 1991, Mr. Boyce served as the Chief Geophysicist for Hunt Oil Company 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 Area in Yemen which daily produces 140,000 barrels of oil. In addition to managing the daily Yemen Hunt 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 in the area. 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.

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.

John A. Brush -Independent Director: Mr. John A. Brush is currently serving a three year term as a non-executive independent Director of the Corporation. Mr. Brush brings the experience of a distinguished twenty-two 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 and Express Drilling Systems, LLC and other 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 managed day to day corporate legal issues, designed and implemented land acquisition and marketing strategies, coordinated an initial public offering, and evaluated government marketing, transportation and royalty regulations.

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, farm-out 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.

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 Doctor 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.

Frederick Cedoz - Independent Director: Mr. Frederick Cedoz is currently serving a three year term as a non-executive independent Director of the Corporation. Mr. Cedoz, a practicing attorney, is also Vice President for Operations and a Director of GWEST (Global Water & Energy Strategy Team). Mr. Cedoz is a co-founder of GWEST whose principal business is providing energy security policy analysis and business development consulting services to energy companies, financial institutions, and foreign governments.

In addition to writing on Alberta's oil sands projects and the importance of U.S.-Canadian energy relations, Mr. Cedoz was recently the keynote speaker at the world's largest oil and gas trade show, Calgary's Global Petroleum Show in June of 2006. He was also the keynote speaker for the Independent Power Producers Society of Alberta's Tenth Annual Conference in Banff in March of 2004. Since then he has made many presentations to prestigious groups on U.S. energy security issues including the New York Society of Security Analysts and the Heritage Foundation in Washington, DC.

In December 2005 he was interviewed on camera by Emmy winner Bob Simon of CBS News 60 Minutes for a story on the Albertan oil sands.

He has also been interviewed on several television and radio programs including Calgary's Global TV and the CBC, and for many publications including Canada's National Post and Macleans, and has written for others including the South China Morning Post and Alberta Oil Magazine. In March 2006, Mr. Cedoz's article "Thinking Beyond OPEC," which provides recommendations for American energy security and foreign policy strategy, was featured in the prestigious Journal of International Security Affairs. Portions of the article were featured in the 25th Anniversary issue of Oil and Gas Investor magazine.

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Charles R. Close - Independent Director: Mr. Charles R. Close is currently serving a three year term as a non-executive independent director of the Corporation. Mr. Close brings the experience 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 C. R. Close & Associates, PC ("Close & Associates"), a certified public accounting practice located in Houston, Texas specializing in the energy industry. Mr. Close has been continuously employed in that practice for thirteen 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. The client base includes large public independent oil and gas companies, a public multinational pipeline company and energy related service companies.

Close & Associates also provides full financial support for a privately owned domestic oil and gas company and an energy service company. Duties for the domestic oil and gas company include oversight and preparation of the monthly financials and joint interest billings, cash management, tax planning and compliance and coordination of banking relationships. Duties for the private energy service company include the oversight of daily accounting operations, preparation of the monthly financial package for investors, oversight and coordination of the annual operating budget, interaction and coordination of banking relationships, and management of working capital. Other management duties include business development, compensation planning to include structuring of employee non-qualified compensation plans, contract negotiations, international tax structuring, coordination and management of legal issues, and long term strategic planning.

Prior to starting Close & Associates in 1993, Mr. Close enjoyed a successful twelve year tenure with Price Waterhouse in Texas. During his time at Price Waterhouse, Mr. Close advanced to the position of Senior Tax Manager in the Petroleum Industry Services Group. Responsibilities included tax planning, transactional analysis, consultation and compliance for both multinational and domestic oil and gas exploration and production companies and for several oil field service companies.

Mr. Close's international experience includes negotiation and financial structuring to include financial reporting and tax compliance of deals in Argentina, Canada, Kazakhstan, Mexico, and Peru.

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, Chief Executive Officer: Mr. Chris A. Dittmar is currently serving a three year term as a Director and additionally is serving as Chief Executive Officer and Corporate Secretary of the Corporation.

Prior to his involvement with the Corporation, Mr. Dittmar served as CEO of Alliance Energy Corporation ("Alliance"), a privately held family corporation organized to acquire and develop vertically integrated energy assets. Alliance currently holds interests onshore Texas and Oklahoma and off shore Louisiana.

In 2006, Mr. Dittmar in his capacity as limited partner and financial advisor to East Cameron Partners, LP, completed the first ever Sharia-compliant securitized market financing of assets ("Sukuk") based in the United States. The \$165.7 million dollar Sukuk securitized Gulf of Mexico leasehold interests and reserves in a producing natural gas and condensate field 20 miles offshore the State of Louisiana. The offering was led by Merrill Lynch as sole book runner, structured by BSEC, a Lebanese based investment bank and rated by Standard & Poor's. The Sukuk was structured so that Islamic investors effectively received a fixed rate of return while being considered owners of the underlying assets. The transaction attracted Islamic as well as several conventional investors in the United States and Europe.

Richard G. Boyce / COO	2008	\$ 240,000 (1)(2)	----	\$ 240,000				
	2007	\$ 240,000 (2)	----	\$ 240,000	----	----	----	----
Chris A. Dittmar / CEO	2008	\$ 240,000 (1)(2)		\$ 240,000				
	2007	\$ 240,000 (2)	----	\$ 240,000	----	----	----	----
Larry Swift / CFO/Controller	2008	\$ 120,000 (2)(3)	----	\$ 120,000	----	----	----	----
	2007	\$ 144,000 (2)	----	\$ 144,000	----	----	----	----
Joseph Lessard / CFO	2008	\$ 75,000 (1)(2)	----	\$ 75,000	----	----	----	----
	2007	----	----	----	----	----	----	----

(1) 2008 fourth quarter salary for Mr. Boyce, Mr. Dittmar and Mr. Lessard was accrued.

(2) Salaries accrued from January 1, 2006 through September 30, 2008 for Mr. Boyce, Mr. Dittmar, Mr Lessard and Mr. Swift were paid-in-kind with XX shares of common stock priced at the closing price on that date of \$2.70 per share.

(3) October 2008 salary for Mr. Swift was accrued.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of January 30, 2009, 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	14,583,002	20.7%
Common Stock	John A. Brush - Director	1,744,444	2.5%
Common Stock	Frederick Cedoz - Director	375,000	0.5%
Common Stock	Charles R. Close - Director	1,244,204	1.8%
Common Stock	Chris A. Dittmar - Director, Chief Executive Officer	11,209,502	15.9%
Common Stock	Joseph Lessard - Chief Financial Officer, VP Americas	908,551	1.3%
Common Stock	Larry Swift - Chief Financial Officer/Controller	3,270,130	4.6%

* The address for all Officers and Directors is Three Riverway, Suite 825, Houston, TX 77056.

All Officers and Directors of the Company as a group hold 33,334,833 shares of Common stock, which represents 47.3% 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.

As of March 31, 2008, the Company had no outstanding shares of preferred stock.

ITEM 13. 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 loans between the Company and its officers or directors.

On June 7, 2004 (\$400,000), August 10, 2004 (\$950,000) and November 2, 2005 (\$500,000) the Company entered into these Notes Payable and received a total of \$1,850,000 from OCE Partners, LLC; OCE Interests, LLC; and OCE Advisors, LLC. See Note 8 to the financial statements at page 36. These entities are all related parties initially managed by Campbell Evans. As of March 10, 2006 Chris A. Dittmar is the sole member and manager of OCE Advisors, LLC.

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 Chandeaur Block 14 to earn a 50% working interest in each block.

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 (Eureka) 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 Company entered into an advancing term credit agreement for \$30,000,000 on April 13, 2006 through its subsidiary EnDevCo Eureka, LLC with GasRock Capital, LLC to fund the purchase of the Short Junction Field. The note is secured by all of

EnDevCo Eureka's assets and certain personal assets owned by Chris A. Dittmar, CEO of the Company. EnDevCo Eureka's assets are cross-collateralized on a \$3,469,000 loan made by GasRock Capital, LLC to Alliance Energy Corporation (AEC), a related party. This loan is currently in default, with interest only payments being made.

On June 5, 2007, EnDevCo entered into a farm-out agreement with an effective date of September 5, 2007, with AEC, whereby AEC paid all costs to drill an initial well (the WSJU #109StH, which is in production at the time of filing this report) and up to three future development wells. On June 30, 2008, the parties agreed to terminate the farm-out agreement thereby cancelling AEC's right to drill three future wells and transferring 100 percent ownership of the WSJU #109StH well to EnDevCo effective March 1, 2008. In consideration, EnDevCo agreed to assume approximately \$5.7 million in liabilities resulting from the drilling of the WSJU #109StH well.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Principal accountant fees during 2008 were \$121,359. Services provided were limited to annual audit and quarterly reviews.

ITEM 15. EXHIBITS

1. Exhibits:

See index to Exhibits beginning on page 45 of this report.

2. Form 8-K.

The following details the events reported in Fiscal 2008 on Form 8-K. Each filing is incorporated herein by reference.

Report Date	Description
3/12/2008	Item 3.03 - Material Modifications to Rights of Security Holders. 1 for 100 reverse split effective 03/10/2008
3/12/2008	Item 3.03 - Amendments to Articles of Incorporation. 1 for 100 reverse split effective 03/10/2008
10/24/2008	Item 1.01 - Entry into Definitive Material Agreement. Execution of Limited Forbearance Agreement Dated 7/22/2008.
10/24/2008	Item 2.04 - Triggering Events that Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-balance Sheet Arrangement. Receipt of Notice of Acceleration dated 4/16/2008.

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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 April 15, 2009.

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
April 15, 2009

JOHN A. BRUSH
JOHN A. BRUSH
DIRECTOR
April 15, 2009

FREDERICK CEDOZ
FREDERICK CEDOZ
DIRECTOR
April 15, 2009

CHARLES R. CLOSE
CHARLES R. CLOSE
DIRECTOR
April 15, 2009

CHRIS A. DITTMAR
CHRIS A. DITTMAR
CHIEF EXECUTIVE OFFICER
AND DIRECTOR
April 15, 2009

JOSEPH LESSARD
JOSEPH LESSARD
CHIEF FINANCIAL
OFFICER
April 15, 2009

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FINANCIAL STATEMENTS
(RE: PART II. ITEM 7)

EnDevCo, Inc. and Subsidiaries
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
EnDevCo, Inc.
Three Riverway, Suite 825
Houston, Texas 77056

We have audited the accompanying consolidated balance sheets of EnDevCo, Inc. as of December 31, 2008 and 2007 and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the years 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 audits.

We conducted our audits 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. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EnDevCo, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years 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 11 to the consolidated financial statements, the Company has a significant working capital deficit, has recognized significant operating losses in each of the years in the three year period ended December 31, 2008, and will need significant amounts of investment funds to fully develop its oil and gas leases. Management's plans in regard to these matters are described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/KILLMAN, MURRELL & COMPANY, P.C.
April 3, 2009
Odessa, Texas

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EnDevCo, Inc. and Subsidiaries
Consolidated Balance Sheets

December 31,
2008 2007

ASSETSCurrent Assets

Cash	\$ 46,319	\$ 1,135
Accounts Receivable	111,676	131,662
Accounts Receivable - Joint	3,616	27,715
Accounts Receivable - Other	163,329	71,393
Prepaid Expense	3,068	3,687
Other - Hedging	<u>-</u>	<u>-</u>
Total Current Assets	328,080	235,592

Property and equipment

Oil and Gas Properties and Equipment under Full Cost Method	24,123,599	19,592,274
Less Accumulated Depletion	<u>(1,227,521)</u>	<u>(840,240)</u>
Net Property and Equipment	<u>22,896,078</u>	<u>18,752,034</u>
Total Assets	\$ 23,224,158	\$ 18,987,626

=====

LIABILITIESCurrent Liabilities

Accounts Payable	\$ 4,728,580	\$ 3,374,556
Cash Overdraft	--	27,538
Accrued Liabilities	1,177,001	2,370,013
Hedging Liability	--	1,471,334
Revenue Payable	55,658	31,435
Taxes Payable	274,738	258,432
Payable to Related Party	4,556,054	20,548
Notes Payable - Current	\$ 13,423,221	--
Notes Payable - Related Party	<u>--</u>	<u>--</u>
Total Current Liabilities	24,215,252	7,553,856

Non-current Liabilities

Notes Payable	--	13,373,910
Notes Payable - Related Party	<u>1,813,224</u>	<u>1,813,224</u>
Total Long Term Liabilities	<u>1,813,224</u>	<u>15,187,134</u>
Total Liabilities	<u>26,028,476</u>	<u>22,740,990</u>

Minority Interest

3,000,000 3,000,000STOCKHOLDERS' DEFICIT"Series A" Convertible Preferred Stock

10,000,000 shares authorized, \$0.01 par value, 0 Shares Outstanding December 31, 2008	--	68,701
6,870,070 Shares Outstanding December 31, 2007		

Common Stock

500,000,000 shares authorized, without par value, 70,329,239 Shares Outstanding December 31, 2008	43,596,206	38,474,092
2,572,951 Shares Outstanding December 31, 2007		
Additional Paid in Capital	6,826,296	6,801,370
Retained Deficit	<u>(56,226,820)</u>	<u>(52,097,527)</u>
Total Stockholders' Deficit	<u>(5,804,318)</u>	<u>(6,753,364)</u>
Total Liabilities and Stockholders' Deficit	\$ 23,224,158	\$ 18,987,626

=====

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

Consolidated Statements of Operations

Years Ended December 31,
2008 2007

<u>Revenues</u>			
Oil Sales		\$ 2,859,232	\$ 1,416,448
Gas Sales		286,345	336,842
Pipeline Transmission		<u>13,072</u>	<u>31,969</u>
Total Revenues		3,158,650	1,785,259
<u>Cost of Revenues</u>			
Lease Operating Cost		733,570	985,709
Production Taxes		226,566	126,201
Depletion		<u>387,281</u>	<u>454,740</u>
Total Cost of Revenues		<u>1,347,417</u>	<u>1,566,650</u>
Gross Profit		<u>1,811,233</u>	<u>218,609</u>
<u>Costs and Expenses</u>			
General and Administrative		960,010	1,126,152
Salaries and Wages		522,191	949,500
Shareholder Services		<u>58,470</u>	<u>40,662</u>
Total Costs and Expenses		<u>1,540,671</u>	<u>2,116,314</u>
Net Loss from Operations		270,562	(1,897,705)
<u>Other Income and Expenses</u>			
Interest and Other Income		136,230	86,608
Lawsuit Settlement		200,000	--
Hedging Income(Loss)		926,512	(1,595,010)
Write-off of Colombia Option		(1,000,000)	--
Shareholder Roundup Expense		(2,465,380)	--
Interest Expense		<u>(2,197,307)</u>	<u>(2,116,616)</u>
Total Other Income(Expenses)		<u>(4,399,855)</u>	<u>(3,625,018)</u>
Net Loss		\$ (4,129,293)	\$ (5,522,723)
		=====	=====
Basic and Diluted Loss Per Common Share		\$ (0.08)	\$ (2.14)
Weighted Average Number of Common Shares			
Used in Basic Loss Per Share Calculations		54,240,058	2,572,950
		=====	=====

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

EnDevCo, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2008 and 2007

	Preferred Stock		Common Stock		Additional Paid-In- Capital	Retained Deficit	Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance, December 31, 2006	6,315,021	\$ 63,151	2,492,831	\$ 38,253,852	\$ 6,251,870	(46,574,804)	\$ (2,005,931)
Issuances of preferred shares:							

For Salaries & Directors Fees	157,500	1,575			155,925		157,500
For Company Obligations	397,550	3,975			393,575		397,550
Issuance of common shares:							
For Company Obligations			80,120	220,240			220,240
Net Loss						(5,522,723)	(5,522,723)
Balance, December 31, 2007	6,870,071	\$ 68,701	2,572,951	\$ 38,474,092	\$ 6,801,370	(52,097,527)	\$ (6,753,364)
Return of preferred shares due to revision of cost estimates	(244,250)	(2,442)			(241,808)		(244,250)
Issuance of preferred shares for services and accrued liability	4,100	41			266,809		266,850
Conversion of preferred shares to common	(6,629,921)	(66,300)	66,299,210	66,300			-
Issuance of common shares							
For Shareholder Roundup			493,076	2,465,380			2,465,380
For Services			158,393	341,531			341,531
For Company Obligations			805,609	2,248,828			2,248,828
Net Loss						(4,129,293)	(4,129,293)
Balance, December 31, 2008	-	\$ -	70,329,239	\$ 43,596,131	\$ 6,826,371	(56,226,820)	\$ (5,804,318)

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

EnDevCo, Inc. and Subsidiaries
Consolidated Statements of Cash flows

	<u>Years Ended December 31,</u>	
	2008	2007
<u>Cash flows from operating activities:</u>		
Net loss	\$ (4,129,293)	\$ (5,522,723)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Issuance of stock for expenses		555,050
Issuance of stock for consulting & salaries	289,131	220,240
Issuance of stock for shareholder roundup	2,465,380	--
Depletion	387,281	454,740
Hedging activity	(1,471,334)	1,501,167
Amortization of net debt discount	123,236	123,236
Write-off of Colombia option	1,000,000	--
Changes in assets and liabilities		
Accounts receivable	19,986	(24,242)
Accounts receivable - joint	24,099	--
Accounts receivable - other	(91,936)	--
Revenue payable	24,223	2,434
Accounts payable	2,669,934	135,172
Cash overdraft	(27,538)	27,538
Accrued liabilities	196,416	1,237,540
Taxes payable	16,308	16,262

Other	619	(23,799)
Net cash provided by operating activities	1,496,510	(1,297,385)
<u>Cash flows from investing activities:</u>		
Purchase of oil and gas property	(5,847,235)	(1,407,588)
Payable to related parties	4,469,906	--
Net cash used by investing activities	(1,377,329)	(1,407,588)
<u>Cash flows from financing activities:</u>		
Note payable payment		(216,483)
Increase in notes payable	(73,925)	1,858,597
Net cash provided by financing activities	(73,925)	1,642,114
Net increase in Cash	45,256	(1,062,859)
Cash and cash equivalents		
Cash Balance, Begin Period	1,135	1,063,994
Cash Balance, End Period	\$ 46,391	\$ 1,135
Supplemental Cash Flow information		
Cash paid for interest	\$ 2,046,220	\$ 1,670,134
Stock issued to settle liabilities	\$ 2,323,828	\$ --
Conversion of Preferred shares	\$ 66,375	\$ --
Reclassification of accounts payable	\$ 1,315,910	\$ --
Payable to Related Party	\$ 76,673	\$ --

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

EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 1 - Summary of Significant Accounting Policies

Basis of Presentation -- EnDevCo, Inc. was originally incorporated under the laws of the state of Texas on November 7, 1980 as Roberts Oil and Gas, Inc. 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 subsidiaries, EnDevCo Eureka LLC, Superior Stock Transfer, Inc., EnDevCo Minerals, Inc., EnDevCo Refining Corporation, EnDevCo Colombia S.A., EnDevCo Eureka del Peru S.A.C., Quachita Gas Company and Africa Energy Group, Inc. (the "Company"). All material inter-Company balances and transactions have been eliminated in consolidation. All subsidiaries except EnDevCo Eureka LLC and Superior Stock Transfer, Inc. (the Company's transfer agent) were inactive at December 31, 2007 and 2006.

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.

Derivative Instruments - The Company makes limited use of derivative instruments. The Company does not engage in speculative derivative activities or derivative trading activities nor does it use derivatives with leverage features. When the Company does enter into derivative transactions, it is to offset exposures associated with hydrocarbon prices that arise from existing assets, liabilities and transactions. The gains and losses resulting from changes in the fair value of derivatives are recorded in operations. The company had no outstanding derivatives as of December 31, 2008. The estimated fair value of derivatives outstanding and recorded on the balance was a net payable of \$1,471,334 at December 31, 2007. This was the amount that the Company would have paid to, or received from, third parties if these derivatives had been settled in the open market. The Company recognized a before tax gain of \$926,512 related to the hedging derivative during 2008 as compared to a pre-tax loss of \$1,595,010 in 2007. These amounts are in the financial statements and approximate their fair values.

Oil and Gas Properties -- The Company follows the full cost method of accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration, development of oil and gas reserves, including directly related overhead costs and related asset retirement 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. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

In addition, the capitalized costs are subject to a "ceiling test," which basically limits such costs to the aggregate of the "estimated present value," discounted at a 10-percent interest rate of future net revenues from proved reserves, based on current economic and operating conditions, plus the lower of costs or fair market value of unproved properties.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in income.

Abandonments of properties are accounted for as adjustments of capitalized costs with no loss recognized, except for abandoned leases located outside of the United States. The Company recognized a \$1,000,000 loss on an expired foreign lease option in December 2008.

Depletion expense for the years ended December 31, 2008 and 2007 was \$387,281 and \$454,740, respectively.

EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 1 - Summary of Significant Accounting Policies (cont)

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.

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

Diluted loss per share is computed using the weighted average number of common shares and the dilutive securities outstanding. Dilutive securities having an anti-dilutive effect on diluted loss 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.

Reclassifications -- Certain amounts included in the financial statements for 2007 have been reclassified to comply with 2008 presentation.

Newly Issued Accounting Pronouncements - In July 2006, the FASB issued Interpretation No. 48 (FIN 48) "Accounting for Uncertainty in Income Taxes," which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on the recognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The provisions of FIN 48 are effective in the current fiscal year for the Company. The adoption of FIN 48 did not have a material impact on the Company's financial statements.

In September 2006, the Securities and Exchange Commission issued SAB No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 addresses quantifying the financial statement effects of misstatements, specifically, how the effects of prior year uncorrected errors must be considered in quantifying misstatements in the current year financial statements. The provisions of SAB No. 108 are effective in the current fiscal year for the Company. The adoption of SAB No. 108 did not have a material impact on the Company's financial statements.

In February 2007, the Financial Accounting Standards Boards ("FASB") issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," including an amendment of FASB Statement No. 115. This statement provides companies with an option to report selected financial assets and liabilities at fair value. This statement is effective for fiscal years beginning after November 15, 2007 with early adoption permitted. The Company has fully adopted the provisions of SFAS No.159 beginning fiscal year 2008 and does not anticipate any material impact on its consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires additional disclosures about fair value measurements. This statement does not require any new fair value measurements, but the application of this statement could change current practices in determining fair value. The adoption of this guidance did not have any material impact on the Company's consolidated financial position and results of operations.

EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 1 - Summary of Significant Accounting Policies (cont)

In September 2006, the staff of the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.". The interpretations in this SAB express the staff's views regarding the process of quantifying financial statement misstatements. Specifically, the SEC staff believes that registrants must quantify the impact on current period financial statements of correcting all misstatements, including both those occurring in the current period and the effect of reversing those that have accumulated from prior periods. This SAB should be applied beginning with the first fiscal year ending after November 15, 2006, with early adoption encouraged. Since the Company's method for quantifying financial statement misstatements already considers those occurring in the current period and the effect of reversing those that have accumulated from prior periods, the adoption of SAB No. 108 had no effect to the financial position or results of operations of the Company.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Instruments." This statement provides an election, on an instrument by instrument basis, to measure at fair value an entire hybrid financial instrument that contains an embedded derivative requiring bifurcation, rather than measuring only the embedded derivative on a fair value basis. This statement also eliminates an exception from the requirement to bifurcate an embedded derivative feature from beneficial interests in securitized financial

assets. The Company has used this exception for investments the Company has made in securitized financial assets in the normal course of operations, and thus has not previously had to consider whether such investments contain an embedded derivative. The new requirement to identify embedded derivatives in beneficial interests will be applied on a prospective basis only to beneficial interests acquired, issued, or subject to certain remeasurement conditions after the adoption of the guidance. The Company adopted this guidance effective January 1, 2007. The Company's adoption of this guidance did not have a material effect on the Company's consolidated financial position or results of operations.

In November 2005, the FASB issued FSP FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." This FSP provides impairment models for determining whether to record impairment losses associated with investments in certain equity and debt securities, primarily by referencing existing accounting guidance. It also requires income to be accrued on a level-yield basis following an impairment of debt securities, where reasonable estimates of the timing and amount of future cash flows can be made. The Company adopted this guidance effective January 1, 2006, and it did not have a material effect on the Company's consolidated financial position or results of operations.

In June 2005, the FASB issued Statement No. 133 Implementation Issue No. B39, "Embedded Derivatives: Application of Paragraph 13(b) to Call Options That are Exercisable Only by the Debtor." Implementation Issue No. B39 indicates that debt instruments where the right to accelerate the settlement of debt can be exercised only by the debtor do not meet the criteria of Paragraph 13(b) of Statement No. 133, and therefore should not individually lead to such options being considered embedded derivatives. Such options must still be evaluated under paragraph 13(a) of Statement No. 133. This implementation guidance is effective for the first fiscal quarter beginning after December 15, 2005. The Company's adoption of this guidance effective January 1, 2006 did not have a material effect on the Company's consolidated financial position or results of operations as the guidance is consistent with the Company's existing accounting policy.

EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 2 - Non-monetary Stock Transactions

Included in the Company's consolidated statement of operations for the years ended December 31, 2008 and 2007 were expenses that were paid with Company stock. The Company issued stock in lieu of cash in transactions summarized as follows for the years ended December 31, 2008 and 2007. See Item 13 Certain Relationships and Related Transactions at page 24 and Note 8 to these financial statements at page 41.

	December 31, 2008			December 31, 2007		
	Common	Preferred	Value	Common	Preferred	Value
For Salaries	--	(169,250)	\$ (169,250)	--	157,500	\$ 157,500
Other Obligations	1,457,078	(70,900)	5,247,589	80,120	397,550	617,790
Total	1,457,078	(240,150)	\$ 5,078,339	80,120	555,050	\$ 775,290

NOTE 3 - Stockholders' Equity

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 to 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.

On April 20, 2008, all of the outstanding preferred shares were converted to common shares at the subscribed 10 to 1 ratio. As of December 31, 2008, there were no preferred shares outstanding. As of December 31, 2007 there were 6,870,071 preferred shares outstanding, and the following describes preferred stock activity in 2008:

- The Company had previously issued 244,250 shares of preferred stock in prior years for wages and services. In 2008, these shares were returned to the Company and the returned shares were treated as correcting a previous expense estimate. As a result, \$169,250 of salaries and \$75,000 of consulting services expenses were reversed, which were the originally recorded expense amounts.
- The Company issued 4,100 shares of preferred stock for services valued at \$266,850. Valuation of these preferred shares were based on their converted value as of April 20, 2008.

On March 10, 2008, the Company effected a 1 for 100 reverse stock split of its common stock. The Board of Directors' resolution included the following provision:

"RESOLVED, that no fractional shares or less than an even hundred round lot of common stock shall be issued as a result of the Reverse Split."

This provision has the effect of altering the ownership percentage of each shareholder. The outstanding number of common shares on March 10, 2008, was 257,295,087 which would convert to 2,572,951 shares of common stock, except that all shareholders are to receive even one hundred share lots. The rounding up of split shares to one hundred share lots resulted in an additional 493,076 shares of common stock being issued, with a fair value of \$2,465,380 (March 11, 2008, opening trading value \$5.00). The fair value of the extra common shares issued was recognized as a charge to operations in March, 2008. The consolidated statement of changes in stockholders' deficit, the weighted average number of common shares outstanding reflected in the statements of operations and the loss per share have been restated to reflect the reverse stock split.

EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 4 - Commitments and Contingencies

Legal Proceedings for the Year Ended December 31, 2008:

As of June 1, 2007, the law firm of Phillips & Akers, P.C. ("A&P"), are the attorneys of record for the Company in a case styled: Cause No: 2006-34662; Farzad Askari v. EnDevCo, Inc.

Mr. Askari filed a breach of contract case claiming the Company (the Defendant) had not paid Mr. Askari (the Plaintiff) for work he did as an alleged consultant in 2002 for John W. Adair and Adair International Oil & Gas, Inc. The Company believed that Mr. Askari was never a consultant for the Company and never performed any work for the Company and therefore was not entitled to receive any compensation from the Company.

The case went to trial and the jury's verdict was that Mr. Askari was not entitled to any compensation and that judgment was entered on January 11, 2008. All of Mr. Askari's post trial motions to date have been unsuccessful; however, he filed notice of appeal. Appellate briefs have been filed by both parties and oral arguments are to be heard on May 7, 2009 by the 14th Court of Appeals.

A&P are the attorneys of record for the Company in a case styled: Cause No: CJ 07 1859 L; Basic Energy Services, LP v. EnDevCo Eureka, LLC. et al.

Basic Energy Services has filed a breach of contract case claiming EnDevCo Eureka, LLC (the Defendant) has not paid for goods and services, totaling \$1,315,910, that are in dispute between the parties. Following a review of all disputed invoices, the Company signed a settlement agreement on July 07, 2008 with the Plaintiff. The Company has paid 60 percent of the settlement amount, but remains in default until the remaining balance is paid.

As of May 15, 2008, A&P and J. John Hager, are the attorneys of record for the Company in a case styled: Cause No: CIV-08-0395-HE; KAL Drilling Inc. v. EnDevCo Eureka, LLC. et al.

KAL Drilling has filed a breach of contract case claiming EnDevCo Eureka, LLC (the Defendant) has not paid for goods and services that are in dispute between the parties. The Company has denied all of Plaintiff's allegations and filed a counterclaim against the Plaintiff on May 15, 2008 for breach of contract, misrepresentations, fraud, negligence and gross negligence.

The Company is a party to various claims, but is not a party to any other litigation at this time. 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.

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EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 4 - Commitments and Contingencies (cont)

Concentrations of Credit Risk

The Company has financial instruments that are exposed to concentrations of credit risk and consist primarily of cash and accounts receivable. The Company routinely maintains cash and temporary cash investments at certain financial institutions in amounts substantially in excess of FDIC insurance limits; however, management believes that these financial institutions are of high quality and the risk of loss is minimal. At December 31, 2008, the Company had no cash balances in excess of the FDIC limits. The accounts receivable represent balances due from oil and gas purchasers and are collected within thirty (30) days.

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.

NOTE 5 - Earnings Per Share

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

	2008			2007		
	(Loss)	Common Shares	Loss Per Share	(Loss)	Common Shares	Loss Per Share
Net Income	\$(4,129,293)	54,240,058	\$(0.08)	\$(5,522,723)	2,572,950	\$(2.15)

Preferred Stock shares were not included in the calculation of diluted EPS for 2007 and 2006.

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EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 6 - Income Taxes

The provision for income taxes has been calculated based on federal statutory rates of 34%.

	Years ended December 31,	
	2007	2007
Income tax benefit calculated		
using the statutory rates	\$ 1,403,960	\$ 1,877,726
Non-deductible expenses	(1,279,875)	(53,550)
Changes in valuation allowance	(124,085)	(1,824,176)
	\$ --	\$ --
	=====	=====
Temporary differences, which give rise to deferred tax assets and liabilities are as follows:		
	Years ended December 31,	
	2008	2007
Deferred Tax Liabilities:		
Oil and Gas Properties	\$(3,987,704)	\$(1,957,931)
	(3,987,704)	(1,957,931)
Deferred Tax Asset:		
Hedging Activity	--	500,254
Officer Salaries	70,380	497,760
Operating losses	18,679,875	15,598,383
Total Deferred Tax Asset	14,762,551	14,638,466
Valuation allowance	(14,762,551)	(14,638,466)
	\$ --	\$ --
	=====	=====

Net operating losses are subject to IRS Sec 382 limitations because of greater than 50% ownership changes in 1997, 2002 and 2008. Unused net operating losses may be carried forward for 20 years from the year incurred and affect future income subject to IRS Sec 382 limitations. Because of the uncertainty of realization, the Company's management established a valuation allowance equal to the deferred tax asset.

EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 7 - Note Payable - GASROCK CAPITAL LLC

The Company entered into an advancing term credit agreement for \$30,000,000 on April 13, 2006 through its subsidiary EnDevCo Eureka, LLC with GasRock Capital, LLC to fund the purchase of the Short Junction Field in Cleveland County Oklahoma. This agreement was increased to \$50,000,000 on April 2, 2007. The balance at December 31, 2008 was \$13,423,221, net of debt discount of \$41,077, and the Company paid interest of \$1,957,294 for the year ended December 31, 2008. The note is secured by all of EnDevCo Eureka's assets and certain personal assets owned by Chris A. Dittmar, CEO of the Company. EnDevCo Eureka's assets are cross-collateralized on a \$3,469,000 loan made by GasRock Capital, LLC to Alliance Energy Corporation, a related party. This loan is currently in default, with interest only payments being made.

On April 9, 2008, GasRock delivered to the Company a Notice of Events of Default and Unmatured Events of Default ("Default Notice") under the Credit Agreement. Due to these claimed Events of Default, interest under the Credit Agreement began accruing at the Default Rate of 15% and 100% of EnDevCo's Net Revenues were applied to Debt Service and other Obligations as of April 9, 2008. On April 16, 2008, GasRock delivered to the Company a Notice of Acceleration ("Acceleration Notice") under the Notes due to the continuing claimed Events of Default under the Credit Agreement. The Acceleration Notice declared the amounts due under the Note to be accelerated and due and owing in full as of April 16, 2008.

On July 22, 2008, GasRock, Eureka and Alliance Energy Corporation ("Alliance", and together with Eureka, the "Borrowers"), entered into that certain Limited Forbearance

Agreement, pursuant to which GasRock agreed, subject to the terms thereof, to forbear from pursuing remedies under the Credit Agreement and Notes in respect of the Events of Default claimed as of that same date until the earlier of (i) November 15, 2008 and (ii) the date that GasRock gives Eureka notice of any additional payment default under the Credit Agreement. Alliance is controlled by the Company's CEO and is a guarantor of the Eureka Obligations under the Credit Agreement. GasRock is also a lender to Alliance under an Advancing Term Credit Agreement (the "Alliance Credit Agreement", and together with the Credit Agreement, the "Credit Agreements").

The Forbearance is subject to the following conditions to be fulfilled:

- 1) On or before November 15, 2008, (i) the Borrowers must repay all Obligations (as defined in the Credit Agreements) or (ii) EnDevCo must have entered an agreement for the full or partial sale of the Short Junction Field, the proceeds of which would fully repay the Obligations owing under the Credit Agreements, and such sale shall close and repayment of the Obligations shall be made by December 31, 2008;
- 2) If the Obligations are not repaid by November 15, 2008, EnDevCo must assign a 5.0% net profits interest in the Short Junction Field to GasRock, effective as of November 1, 2008. The form of this assignment and the potential assignments discussed in paragraph 3, below, will be substantially in the form of the Conveyance of Net Profits Overriding Royalty Interests, attached as Exhibit A to the Forbearance Agreement;
- 3) If the Obligations are not repaid by December 15, 2008, EnDevCo must assign an additional 1.0% net profits interest in the Short Junction Field to GasRock, effective as of December 1, 2008, and will assign to GasRock an additional 1.0% net profits interest each subsequent month if the Obligations are not repaid by the 15th of such month;
- 4) EnDevCo shall escrow one 5% net profits interest conveyance and five 1% net profits interest conveyances to ensure its delivery of any potential obligations under paragraphs 2 and 3, above;
- 5) Any and all Net Proceeds (as defined in the Forbearance Agreement) from any equity issuance, refinancing, or asset sale will be applied first to outstanding fees and expenses of GasRock, second to the accrued and unpaid interest on the Notes, and third to the outstanding principal balances on the Notes; and
- 6) The Borrowers must ensure that its hydrocarbon purchasers make payments relating to any of GasRock's overriding royalty interests in the Short Junction Field directly to GasRock.

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EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 8 - Note Payable - Long Term - Related Party

The Company has three long term notes payable totaling \$1,813,224. All three notes accrue interest at the LIBOR monthly average coupon rate (1.90%) at December 31, 2008. The first two notes are in the amounts of \$363,224 and \$950,000 respectively and are due and payable December 31, 2009. The third note is in the amount of \$500,000 and is due and payable June 30, 2009. The maker of this note consists of the following related parties managed by Campbell Evans: OCE Partners, LLC, and OCE Interests, LLC; and OCE Advisors, LLC, managed by Chris A. Dittmar. All notes are unsecured.

NOTE 9 - Interest and Other Income

Interest Income during 2008 was \$76 which was earned from the Company's money market account. Other Income of \$336,320 resulted from favorable settlements of outstanding payable balances at less than carrying values.

NOTE 10 - Payable to Related Party

On June 5, 2007, EnDevCo entered into a farm-out agreement with an effective date of September 5, 2007, with Alliance Energy Corporation (AEC), a related party, whereby AEC paid all costs to drill an initial well (the WSJU #109StH, which is in production at the time of filing this report) and up to three future development wells. On June 30, 2008, the parties agreed to terminate the farm-out agreement thereby cancelling AEC's right to drill three future wells and transferring 100 percent ownership of the WSJU #109StH well to EnDevCo effective March 1, 2008. In consideration, EnDevCo agreed to assume approximately \$5.7 million in liabilities resulting from the actual cost of drilling the WSJU #109StH well.

At December 31, 2008, the amount payable to Alliance is \$4,556,054.

NOTE 11 - Going Concern

The Company has reported operating losses aggregating \$9,877,016 for the two (2) year period ended December 31, 2008. At December 31, 2008, the consolidated balance sheet reported a working capital deficit of \$23,887,172. The Company must raise significant amounts of cash to pay its current liabilities and to provide investment funds to continue development of its oil and gas leases. There can be no assurance the Company's management will be able to secure funding.

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EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 12 - Supplemental Oil and Gas Information (Unaudited)

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

Description	Harvest	Pine Curtain	Short Junction	Total
Oil and Gas Properties	\$ 1,000,000	\$ 1,000,000	\$ 16,184,686	\$ 18,184,686
Less Accumulated Depr/Depl			\$ 385,500	\$ 385,500
Total, December 31, 2006	\$ 1,000,000	\$ 1,000,000	\$ 15,799,186	\$ 17,799,186
Oil and Gas Properties	\$ 1,000,000	\$ 1,000,000	\$ 17,592,274	\$ 19,592,274
Less Accumulated Depr/Depl	--	--	\$ 840,240	\$ 840,240
Total, December 31, 2007	\$ 1,000,000	\$ 1,000,000	\$ 16,752,034	\$ 18,752,034
	=====	=====	=====	=====
Oil and Gas Properties	\$ --	\$ 1,000,000	\$ 23,123,599	\$ 24,123,599
Less Accumulated Depr/Depl	--	--	\$ 1,227,521	\$ 1,227,521
Total, December 31, 2008	\$ --	\$ 1,000,000	\$ 21,896,078	\$ 22,896,078
	=====	=====	=====	=====

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, 2009.

The Company has also entered into a farm-in agreement with Mariner Energy, Inc. which grants the Company an assignment of their operating rights down to a depth of 12,800 feet upon the initial commercial completion of the "OC" sand in East Cameron Block 71. Open Choke Exploration, 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 drill the East Cameron 71-9 well and attempt to complete the "OC" sand. In the event that this well is not successful, EnDevCo has the right to drill a replacement well to test the "OC" 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.

EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 12 - Supplemental Oil and Gas Information (Unaudited) (cont)

Block XXIV, Peru - Following an extensive bidding process, a consortium including EnDevCo was awarded the exclusive concession to develop the Block XXIV prospect area located in northwest Peru. EnDevCo owns 20% of the consortium. Covering more than 276 thousand acres, the block contains both onshore and offshore prospects. The area is bracketed by recent discoveries to the immediate north (Olympic) and south (Olympic and Petrotech). The primary target horizon for the off shore area is the naturally fractured Amotape formation of Paleozoic age (quartzites, slates, etc.). This target formation boasts similar characteristics to those that have produced oil in the nearby Portachuelo Field and, more recently, the offshore San Pedro discovery. The reinterpretation of well logs using new technology indicates pay in target formation. Northwest Peru has solid infrastructure and substantial power demand, creating a ready-market for gas. For EnDevCo, the region represents an excellent opportunity for an integrated gas-to-power project.

Cleveland County, Oklahoma - On April 13, 2006, the Company acquired a 98.712% working interest with a 70.085% net revenue interest in the West Short Junction Unit and a 100% working interest with a 71% 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, LLC 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, is the Operator for the Field which has an acquisition date of January 1, 2006.

Project financing was provided by GasRock Capital, LLC of Houston, Texas and takes the form of a \$50.0 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.

Since acquiring the Field, the Company has methodically performed maintenance activities on all oil wells to include improved chemical and hot oil treatments; new pump jacks, existing 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 34 unplugged production well bores of which 26 are currently active.

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.

EnDevCo, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
December 31, 2008

NOTE 12 - Supplemental Oil and Gas Information (Unaudited) (cont)

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.

EnDevCo, Inc.
Supplemental Information
Year Ended December 31, 2008
(Unaudited)

	<u>FULL COST</u>
<u>Capitalized Costs Relating to Oil and Gas Producing Activities at December 31, 2008</u>	
Unproved oil and gas properties	\$ 1,000,000
Proved oil and gas properties	22,356,660
Support equipment and facilities	<u>766,939</u>
	24,123,599
Less accumulated depreciation, depletion, amortization, and impairment	<u>1,227,521</u>
Net capitalized costs	<u>\$ 22,896,078</u> =====
<u>Costs incurred in Oil and Gas Producing Activities for the Year Ended December 31, 2008</u>	
Property acquisition costs	
Proved	\$ --
Unproved	--
Exploration costs	5,512,707
Development costs	18,618
Amortization rate per equivalent barrel of production	\$ 11.38
<u>Results of Operations for Oil and Gas Producing Activities for the Year Ended December 31, 2008</u>	
Oil and gas sales	\$ 3,145,577
Gain on sale of oil and gas properties	--
Loss on expiration of oil and gas leases	(1,000,000)
Production costs	(960,136)
Exploration costs	--
Depreciation, depletion, and amortization	<u>(387,281)</u>
	798,160
Income tax expense	<u>--</u>
Results of operations for oil and gas producing activities (excluding corporate overhead and financing costs)	<u>\$ 798,160</u> =====
Reserve Information	

The following estimates of proved and proved developed reserve quantities and related standardized measure of discounted net cash flow are estimates only, and do not purport to reflect realizable values or fair market values of the Company's reserves. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, these estimates are expected to change as future information becomes available. All of the Company's reserves are located in the United States.

Proved reserves are estimated reserves of crude oil (including condensate and natural gas liquids) and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years

EnDevCo, Inc. and Subsidiaries

Notes To Consolidated Financial Statements
December 31, 2008

NOTE 12 - Supplemental Oil and Gas Information (Unaudited) (cont)

from known reservoirs under existing economic and operating conditions. Proved developed reserves are those expected to be recovered through existing wells, equipment, and operating methods.

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves, less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, less estimated future income tax expenses (based on year-end statutory tax rates, with consideration of future tax rates already legislated) to be incurred on pretax net cash flows less tax basis of the properties and available credits, and assuming continuation of existing economic conditions. The estimated future net cash flows are then discounted using a rate of 10 percent a year to reflect the estimated timing of the future cash flows.

	Oil (Bbls)	Gas (Mcf)
Proved developed and undeveloped reserves		
Beginning of year	13,058,429	35,850,955
Revisions of previous estimates	(2,574,976)	(3,810,925)
Improved recovery	--	--
Purchases of minerals in place	--	--
Extensions and discoveries	--	--
Production	(28,251)	(34,694)
Sales of minerals in place	--	--
End of year	<u>10,455,202</u>	<u>32,005,336</u>
Proved developed reserves		
Beginning of year	780,638	364,895
End of year	245,356	129,437
Standardized Measure of Discounted Future		
Net Cash Flows at December 31, 2008		
Future cash inflows		\$646,078,000
Future production costs		(231,644,000)
Future development costs		(157,828,000)
Future income tax expenses		<u>(87,246,000)</u>
		169,360,000
Future net cash flows		
10% annual discount for estimated		
timing of cash flows		<u>(118,551,000)</u>
Standardized measures of discounted future		
net cash flows relating to proved oil and gas		
reserves		\$ 50,809,000
		=====

The following reconciles the change in the standardized measure of discounted future net cash flow during 2008.

Beginning of year	\$ 212,340,000
Sales of oil and gas produced, net of production costs	(2,185,000)
Net changes in prices and production costs	(586,956,000)
Extensions, discoveries, and improved recovery, less related costs	--
Development costs incurred during the year which were previously estimated	(5,531,000)
Net change in estimated future development costs	118,993,000)
Revisions of previous quantity estimates	(273,119,000)
Net change from purchases and sales of minerals in place	--
Accretion of discount	332,673,000
Net change in income taxes	254,594,000
Other	--
End of year	\$ 50,809,000
	=====

EnDevCo, Inc. and Subsidiaries

December 31, 2008

INDEX TO EXHIBITS	
3(i)	Amendment to the Restated Articles of Incorporation dated May 12, 2005, see page 46 of this report.
3(ii)	Articles of Amendment to the Articles of Incorporation of EnDevCo, Inc., incorporated by reference to the registrant's Form 8K filed on March 12, 2008.
3(iii)	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(iv)	Material Modification to Rights of Security Holders, Amendments to Articles of Incorporation, incorporated by reference to registrant's Form 8K filed on March 12, 2008.
3(v)	Bylaws, as revised to May 1, 2004, incorporated by reference to registrant's Form 10KSB filed on September 9, 2005 .
7(i)	Triggering Events that Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-balance Sheet Arrangement, incorporated by reference to registrant's Form 8K filed on October 24, 2008.
7(ii)	Execution of Limited Forbearance Agreement, incorporated by reference to registrant's Form 8K filed on October 24, 2008.
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 49 of this report.
31.1	Certification per Rule 13a-14(a) by Chief Executive Officer, see page 50 of this report.
31.2	Certification per Rule 13a-14(a) by Chief Financial Officer, see page 51 of this report.
32.1	Certification per Section 1350 by Chief Executive Officer, see page 52 of this report.
32.2	Certification per Section 1350 by Chief Financial Officer, see page 52 of this report.

EnDevCo, Inc. and Subsidiaries
December 31, 2008

Exhibit 3(i).

EnDevCo, Inc.

Amendment
To The
Restated Articles Of Incorporation

EnDevCo, Inc., pursuant to the provisions of Article 4.01 - 4.06 of the Texas Business Corporation Act, hereby adopts the following Articles of Amendment to its Restated Articles of Incorporation.

Article I

The name of the Corporation is EnDevCo, Inc.

Article II

The amendment changes Article IV of the Restated Articles of Incorporation as follows:

From:

The corporation shall have authority to issue two classes of shares; to be designated respectively "preferred shares" and "common shares". The total number of shares, which the Corporation is authorized to issue, is 505,000,000 shares. The number of preferred shares is 5,000,000 shares and the par value of each share is \$0.01. The number of common shares authorized is 500,000,000 shares without par value.

Upon this amendment becoming effective pursuant to the Texas Business Corporation Act of the State of Texas (the "Effective Time"), a number of shares in the sole discretion of the Corporation's Board of Directors, of the Corporation's common stock, no par value per share (the "Old Common Stock"), issued and outstanding immediately prior to the Effective Time, will be automatically reclassified as and converted into one share of common stock, no par value per share, of the Corporation (the "New Common Stock") hereinafter referred to as a ("Reverse Stock Split").

Notwithstanding the immediately preceding sentence, no fractional shares of New Common Stock shall be issued to the holders of record of Old Common Stock in connection with the foregoing reclassification of shares of Old Common Stock. If the Reverse Stock Split produces a result where a shareholder holds a fractional share and/or less than an even hundred round lot of common stock, the shareholder's holding will be rounded up to the next even hundred round lot of stock of New Common Stock at no cost to the shareholder, such shares of stock to be issued to the shareholder of record at the Effective Time of the reclassification.

EnDevCo, Inc. and Subsidiaries
December 31, 2008

Exhibit 3(i) (cont).

Each stock certificate held in electronic form that, immediately prior to the Effective Time, represented shares of Old Common Stock shall, from and after the Effective Time, automatically and without the necessity of presenting the same for exchange, represent that number of whole shares of New Common Stock into which the shares of Old Common Stock represented by such certificate shall have been reclassified. Each holder of record of a physical stock certificate that represented shares of Old Common Stock shall receive, upon the required surrender of such physical stock certificate to the Corporation's stock transfer agent, a new stock certificate representing the number of whole shares of New Common Stock into which the shares of Old Common Stock represented by such certificate shall have been reclassified.

To:

The Corporation shall have authority to issue two classes of shares; to be designated respectively "preferred shares" and "common shares". The total number of shares, which the Corporation is authorized to issue, is 510,000,000 shares. The number of preferred shares is 10,000,000 shares and the par value of each share is \$0.01. The number of common shares authorized is 500,000,000 shares without par value.

Upon this amendment becoming effective pursuant to the Texas Business Corporation Act of the State of Texas (the "Effective Time"), a number of shares in the sole discretion of the Corporation's Board of Directors, of the Corporation's common stock, no par value per share (the "Old Common Stock"), issued and outstanding immediately prior to the Effective Time, will be automatically reclassified as and converted into one share of common stock, no par value per share, of the Corporation (the "New Common Stock") hereinafter referred to as a ("Reverse Stock Split").

Notwithstanding the immediately preceding sentence, no fractional shares of New Common Stock shall be issued to the holders of record of Old Common Stock in connection with the foregoing reclassification of shares of Old Common Stock. If the Reverse Stock Split produces a result where a shareholder holds a fractional share and/or less than an even hundred round lot of common stock, the shareholder's holding will be rounded up to the next even hundred round lot of stock of New Common Stock at no cost to the shareholder, such shares of stock to be issued to the shareholder of record at the Effective Time of the reclassification.

Each stock certificate held in electronic form that, immediately prior to the Effective Time, represented shares of Old Common Stock shall, from and after the Effective Time, automatically and without the necessity of presenting the same for exchange, represent that number of whole shares of New Common Stock into which the shares of Old Common Stock represented by such certificate shall have been reclassified. Each holder of record of a physical stock certificate that represented shares of Old Common Stock shall receive, upon the required surrender of such physical stock certificate to the Corporation's stock transfer agent, a new stock certificate representing the number of whole shares of New Common Stock into which the shares of Old Common Stock represented by such certificate shall have been reclassified.

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EnDevCo, Inc. and Subsidiaries
December 31, 2008

Exhibit 3(i) (cont).

Article III

These Articles of Amendment were adopted by the shareholders of the Corporation at the 2004 annual meeting held on October 14, 2004

Article IV

These Articles of Amendment have been approved in the manner required by the Texas Business Corporation Act and by the constituent documents of the Corporation.

Article V

These Articles of Amendment do not change the stated capital of the Corporation.

Article VI

The undersigned signs this document subject to the penalties imposed by law for the submission of a false or fraudulent document.

IN WITNESS WHEREOF , the undersigned has executed these Restated Articles of Incorporation on this 12th day of May, A.D., 2005.

EnDevCo, Inc.

By: LARRY SWIFT
Name: LARRY SWIFT
Title: CFO

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EnDevCo, Inc. and Subsidiaries
December 31, 2008

Exhibit 21 - Subsidiaries of the Registrant

	Name	Jurisdiction	DBA
		of Incorporation	
1.	Superior Stock Transfer, Inc.	Texas	Same

	(FKA) Superior Geophysical, Inc.		
2.	EnDevCo Eureka, LLC	Delaware	Same
3.	EnDevCo Minerals, Inc. (FKA) Adair Exploration, Inc.	Texas	Same
4.	EnDevCo Refining Corporation (FKA) Adair Yemen Exploration Ltd.	Bahamas	Same
5.	EnDevCo Colombia, S.A. (FKA) Adair Colombia Oil & Gas, SA	Panama	Same
6.	EnDevCo Eureka del Peru S.A.C.	Peru	Same
7.	Quachita Gas Company	Delaware	Same
8.	Africa Energy Group, Inc.	Bahamas	Same

EnDevCo, Inc. and Subsidiaries

December 31, 2008

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 10K 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.

April 15, 2009

CHRIS A DITTMAR

EnDevCo, Inc. and Subsidiaries
December 31, 2008

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, Joseph Lessard, certify that:

1. I have reviewed this Annual Report on Form 10K 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.

April 15, 2009

JOSEPH LESSARD
JOSEPH LESSARD
CHIEF FINANCIAL OFFICER

EnDevCo, Inc. and Subsidiaries
December 31, 2008

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 10K for the period ended December 31, 2008 (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.

April 15, 2009

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, Joseph Lessard, 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 10K for the period ended December 31, 2008 (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.

April 15, 2009

JOSEPH LESSARD
JOSEPH LESSARD
CHIEF FINANCIAL OFFICER