

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTER ENDED SEPTEMBER 30, 2006

OR

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

COMMISSION FILE NUMBER 001-31433

ENDEVCO, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

The number of shares outstanding of the registrant's common stock as of September 30, 2006 was 235,019,754.

Transitional Small Business Disclosure Format: Yes No

| | | |
|--------------------------------|---|-------|
| ENDEVCO, INC. AND SUBSIDIARIES | | |
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EnDevCo, Inc. and Subsidiaries
Consolidated Balance Sheets
September 30, 2006 Compared to December 31, 2005

| | <u>09/30/2006</u> | <u>12/31/2005</u> |
|---|----------------------|---------------------|
| | (Unaudited) | |
| <u>ASSETS (Unaudited)</u> | | |
| <u>Current Assets</u> | | |
| Cash | \$ 2,055,452 | \$ 11,709 |
| Accounts receivable | | |
| Oil and gas sales | 167,831 | -- |
| Joint interest | 57,538 | -- |
| Other | 14,177 | -- |
| Prepaid expense | <u>790,632</u> | <u>609</u> |
| Total Current Assets | 3,085,630 | 12,318 |
| <u>Property and Equipment</u> | | |
| Oil and gas properties and equipment under full cost method | 15,611,578 | 2,867,101 |
| Less accumulated depreciation depletion and amortization | <u>(90,000)</u> | <u>--</u> |
| Net Property and Equipment | <u>15,521,578</u> | <u>2,867,101</u> |
| Total Assets | <u>\$ 18,607,208</u> | <u>\$ 2,879,419</u> |
| <u>LIABILITIES</u> | | |
| <u>Current Liabilities</u> | | |
| Accounts payable | \$ 3,308,547 | \$ 2,554,335 |
| Accrued interest | 163,542 | 96,154 |
| Accrued expenses | 104,996 | 93,435 |
| Accrued salary | 594,000 | -- |
| Revenue payable | 22,255 | -- |
| Taxes payable | <u>238,071</u> | <u>225,908</u> |
| Total Current Liabilities | 4,431,411 | 2,969,832 |
| <u>Long-Term Liabilities</u> | | |
| Notes payable | 11,936,770 | -- |
| Notes payable - related party | <u>1,813,224</u> | <u>1,863,224</u> |
| Total Long-Term Liabilities | <u>13,749,994</u> | <u>1,863,224</u> |
| Total Liabilities | <u>18,181,405</u> | <u>4,833,056</u> |
| Minority Interest | <u>3,000,000</u> | <u>--</u> |
| <u>STOCKHOLDERS' DEFICIT</u> | | |
| <u>Preferred Stock</u> | | |
| 10,000,000 shares authorized, \$0.01 par value, 6,090,020 shares outstanding December 31, 2005 and 6,152,520 shares outstanding September 30, 2006 | 61,526 | 60,901 |
| <u>Common Stock</u> | | |
| 500,000,000 shares authorized, without par value 214,059,750 shares outstanding December 31, 2005 and 235,019,754 shares outstanding September 30, 2006 | 37,796,052 | 36,625,552 |
| Additional Paid in Capital | 6,090,995 | 6,029,120 |
| Retained Deficit | <u>(46,522,770)</u> | <u>(44,669,210)</u> |
| Total Stockholders' Deficit | <u>(2,574,197)</u> | <u>(1,953,637)</u> |
| Total Liabilities and Stockholders' Deficit | <u>\$ 18,607,208</u> | <u>\$ 2,879,419</u> |

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

EnDevCo, Inc. and Subsidiaries
Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2006 and 2005
(Unaudited)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|---|---------------------|--|---------------------|
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| Revenues | | | | |
| Oil Sales | \$ 547,532 | \$ -- | \$ 1,310,597 | \$ -- |
| Gas Sales | 86,232 | -- | 240,355 | -- |
| Pipeline Transmission | 6,808 | -- | 41,147 | -- |
| Other Revenue | -- | -- | -- | 713 |
| Total Revenues | <u>640,572</u> | <u>--</u> | <u>1,592,099</u> | <u>713</u> |
| Cost of Revenues | | | | |
| Lease Operating Costs | 487,048 | -- | 774,016 | -- |
| Production Taxes | 47,068 | -- | 113,085 | -- |
| Depletion | 30,000 | -- | 90,000 | -- |
| Total Cost of Revenues | <u>564,116</u> | <u>--</u> | <u>977,101</u> | <u>--</u> |
| Gross Profit | 76,456 | -- | 614,998 | 713 |
| Costs and Expenses | | | | |
| General and administrative | 518,495 | 101,036 | 1,420,675 | 164,390 |
| Salaries and wages | 240,500 | 193,500 | 666,500 | 624,500 |
| Shareholder services | 3,600 | -- | 16,655 | -- |
| Total Costs and Expenses | <u>762,595</u> | <u>294,536</u> | <u>2,103,830</u> | <u>788,890</u> |
| Net Loss from Operations | (686,139) | (294,536) | (1,488,832) | (788,177) |
| Other Income and (Expenses) | | | | |
| Other income | (24,413) | -- | 167,132 | -- |
| Lawsuit settlement | -- | -- | 124,828 | 233,893 |
| Interest income | 8,995 | -- | 17,501 | -- |
| Interest expense | (152,565) | (34,169) | (674,189) | (95,780) |
| Total Other Income(Expenses) | <u>(167,983)</u> | <u>(34,169)</u> | <u>(364,728)</u> | <u>138,113</u> |
| Net Loss | <u>\$ (854,122)</u> | <u>\$ (328,705)</u> | <u>\$ (1,853,560)</u> | <u>\$ (650,064)</u> |
| Basic and Diluted Loss Per Common Share | <u>\$ (0.00)</u> | <u>\$ (0.00)</u> | <u>\$ (0.01)</u> | <u>\$ (0.00)</u> |
| Weighted Average number of Common Shares used in basic and diluted loss per share calculations | <u>231,019,754</u> | <u>201,809,750</u> | <u>221,953,752</u> | <u>198,959,750</u> |

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

EnDevCo, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

| | Nine Months Ended September 30, (Unaudited) | |
|--|---|-----------------|
| | <u>2006</u> | <u>2005</u> |
| <u>Cash Flows from Operating Activities</u> | | |
| Net Loss | \$ (1,853,560) | \$ (650,064) |
| Adjustments to Reconcile Net Loss to Net Cash Provided by operating activities: | | |
| Issuance of stock for expenses | 62,500 | 656,627 |
| Issuance of stock for consulting | 1,170,500 | 31,000 |
| Depletion | 90,000 | -- |
| Changes in assets and liabilities: | | |
| Accounts receivable | (167,831) | -- |
| Accounts receivable – joint interests | (57,538) | -- |
| Accounts receivable – other | (14,177) | -- |
| Prepaid expenses | (790,023) | -- |
| Accounts payable | 754,213 | 35,084 |
| Accrued interest | 67,388 | 76,492 |
| Accrued expenses | 11,560 | (167,708) |
| Accrued salaries | 594,000 | -- |
| Revenues payable | 22,255 | -- |
| Taxes payable | <u>12,163</u> | <u>19,288</u> |
| Net Cash Provided (Used) Operating Activities | <u>(98,550)</u> | <u>719</u> |
| <u>Cash Flows from Investing Activities:</u> | | |
| Purchase oil and gas property | <u>(12,744,477)</u> | <u>---</u> |
| <u>Cash Flows from Financing Activities:</u> | | |
| Notes Payable | 11,886,770 | -- |
| Capital contributions | <u>3,000,000</u> | <u>---</u> |
| Net Cash Provided by Financing Activities | <u>14,886,770</u> | <u>---</u> |
| Net Change in Cash | 2,043,743 | 719 |
| Cash Balance, Begin Period | <u>11,709</u> | <u>374</u> |
| Cash Balance, End Period | <u>\$ 2,055,452</u> | <u>\$ 1,093</u> |
| Supplemental Disclosures: | | |
| Cash paid for Interest | \$ 191,000 | |
| Cash paid for Taxes | | |
| Stock issued for oil and gas property | | |
| Stock issued for services | \$ 1,233,000 | \$ 687,627 |

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

EnDevCo, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2006

NOTE 1 - Summary of Significant Accounting Policies

Basis of Presentation -- EnDevCo, Inc. was incorporated under the laws of the State of Texas on November 7, 1980. On September 30, 2003, the Company filed a "Restated" Articles of Incorporation with the Secretary of State of the State of Texas to change its name to EnDevCo, Inc.

Principles of Consolidation -- The consolidated financial statements include the accounts of EnDevCo, Inc. and its wholly owned subsidiaries, EnDevCo Colombia, S.A., EnDevCo Refining Corporation, Africa Energy Group, Inc., EnDevCo Eureka, LLC, EnDevCo Minerals, Inc. and Superior Stock Transfer, Inc. (the "Company"). All material inter-Company balances and transactions have been eliminated in consolidation.

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

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

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

Depletion expensed for the nine months ending September 30, 2006 was \$90,000. No depreciation, depletion or amortization was expensed for the nine months ending September 30, 2005.

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 was computed by dividing loss by the weighted average number of common shares outstanding.

EnDevCo, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2006

NOTE 1 - Summary of Significant Accounting Policies (cont)

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

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

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

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

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

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

EnDevCo, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2006

NOTE 2 - Non-monetary Stock Transactions

Included in the Company's consolidated statement of operations for the period ended September 30, 2006 were expenses that were paid with Company stock. The Company issued stock in lieu of cash in transactions summarized as follows for the nine months ended September 30, 2006:

| Description | September 30, 2006 | | | |
|---------------------------|--------------------|--------------|------------------|-----------|
| | Common Shares | Value | Preferred Shares | Value |
| For Salaries | -- | -- | 62,500 | \$ 62,500 |
| Other Company Obligations | 20,960,004 | \$ 1,170,500 | -- | -- |
| Total | 20,960,004 | \$ 1,170,500 | 62,500 | \$ 62,500 |

The fair value of the Company's common stock issued for services was deemed to be the closing trading price of the Company's common stock on the date of issuance. The preferred shares were issued on the basis of one share of preferred stock for each dollar of accrued wages.

NOTE 3 - Preferred Stock

The Board of Directors passed a Corporate Resolution that reads, "Pursuant to and in accordance with Article 2.13 of the Texas Business Corporation Act of the State of Texas the Company does hereby certify that, pursuant to the authority conferred on the Board of Directors by the Articles of Incorporation of the Corporation, and pursuant and in accordance with Article 2.13 of the Texas Business Corporation Act of the State of Texas, said Board of Directors, pursuant to unanimous written consent dated December 9, 2002, duly adopted a resolution providing for the authorization and issuance of 5,000,000 shares of "Series A" Convertible Preferred Stock, \$0.01 par value per share (the "Series A" Preferred Stock).). At the annual shareholders meeting held on October 15, 2004, the shareholders approved an increase in the total number of authorized "Series A" convertible preferred shares with a \$0.01 par value to 10,000,000. As of September 30, 2006, there were 6,152,520 shares outstanding.

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

During the quarter ended September 30, 2006, 37,500 shares of Preferred Stock were issued.

NOTE 4 – Notes Payable

The Company has an Advancing Term Credit Agreement with GasRock Capital LLC of up to \$30,000,000 for the Short Junction field. The Company currently has a balance of \$11,936,770. The interest rate is 12% annually, accrued monthly.

EnDevCo, Inc. and Subsidiaries
September 30, 2006

NOTE 5 - Notes Payable - Related Party

The Company has four additional notes payable totaling \$1,813,224. All four notes accrue interest at the LIBOR monthly average interest coupon rate (5.3229% at September 30, 2006). The first two notes are in the amounts of \$363,224 and \$950,000 and are due and payable December 31, 2007. The last note is in the amount of \$500,000 and is due and payable June 30, 2009. The maker of each note consists of the following related parties OCE Partners, LLC; OCE Interests, LLC; and OCE Advisors, LLC. All notes are unsecured.

ITEM 2. 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 to 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 Colombia. 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 Oklahoma and offshore 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.

EnDevCo, Inc. and Subsidiaries
September 30, 2006

OIL AND GAS EXPLORATION AND DEVELOPMENT (cont)

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

Gulf of Mexico - The Company has entered into a farm-in agreement with BT Operating Co. wherein the Company will participate in the drilling and completion of four wells in Eugene Island Block 294 and/or Chandeleur Block 14 to earn a 50% working interest in each block prior to December 31, 2007.

The Company has also entered into a farm-in agreement with Noble Energy, Inc., Mariner Energy, Inc., and Entech Enterprises, Inc. which grants the Company an assignment of their operating rights down to a depth of 12,600 feet upon the initial commercial completion of the "OC" sand in East Cameron Block 71. Open Choke Energy, LLC has a 67% interest in the farm-in agreement and EnDevCo has the remaining 33% interest.

The Company has designated Open Choke as the project Operator who will re-enter the existing East Cameron 71-7 well and attempt to complete the "OC" sand. In the event that this re-entry 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.

Upper Magdalena River Region, Colombia - On September 25, 2003, the Company purchased from Harvest Production Company, LLC an option to participate in the acquisition and processing of 101 kilometers of 2D seismic, and a continuing option to participate on a joint venture basis in wells to be drilled after the interpretation of that seismic on their Rio 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 expires June 30, 2007.

Cleveland County, Oklahoma - On April 13, 2006, the Company acquired a 98.712% working interest with a 76.9954% net revenue interest in the West Short Junction Unit and a 100% working interest with a 78% net revenue interest in the Central Short Junction Unit hereinafter referred to as the ("Short Junction Field and/or the Field") located in Oklahoma City, Oklahoma through its subsidiary EnDevCo Eureka, LLC for a purchase price of \$11.5 million. EnDevCo Eureka, 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, will be the Operator for the project which has an acquisition date of January 01, 2006.

EnDevCo, Inc. and Subsidiaries
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OIL AND GAS EXPLORATION AND DEVELOPMENT (cont)

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

The 12,000 acre fully unitized Field currently consists of 25 oil wells and 1 gas well, 4 central collection and metering stages and 4 salt water disposal wells. The Field is currently producing a sustained 165 barrels of oil equivalent (BOE) per day comprised of 125 barrels of oil and 242 Mcf of gas which represents a solid 40% production increase from April 13 to July 31, 2006.

Since acquiring the Field, the Company has methodically performed maintenance activities on all oil wells to include improved chemical and hot oil treatments; pump jack re-alignment, bearing and rod replacement, beam compressor installation and pipeline integrity testing and cleanout. EnDevCo has also installed new pumps, a new water knockout and two new heater treaters for improved oil separation at the central collection and metering stages and terminated the re-injection of water into the Hunton reservoir by re-piping and installing a new salt water disposal well.

The Field purchase included full ownership rights to a field wide gas pipeline and gathering system that offers two independent taps to the interstate gas transmission system.

Short Junction Field was originally developed by Conoco using vertical wells drilled on a 40 acre well spacing, resulting in oil and gas production from 270 active wells within the 12,000 acre leasehold. The Field currently contains 31 unplugged well bores of which 25 are currently active. EnDevCo plans an aggressive workover and recompletion program prior to December 31, 2006 which should significantly increase the current daily production.

Historically the primary zone of interest has remained the Hunton formation for oil production. However, above the Hunton, the Bartlesville, Prue, Red Fork and Skinner Sandstones along with the Pink Lime zones are present and most are indicated as productive based on well log analysis.

Current bottom hole pressures recently measured in the Hunton indicate that formation pressure today is essentially the same as when the Field was originally placed on production. This unique characteristic occurs as a result of the fact that Conoco instituted a water flood pressure maintenance program in the early stages of developing the field. As a result of this pressure maintenance, the original gas cap in the Hunton reservoir has never been produced.

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

EnDevCo, Inc. and Subsidiaries
September 30, 2006

ENERGY TECHNOLOGY DEVELOPMENT

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

POWER GENERATION

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

RESULTS OF OPERATIONS

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

EnDevCo, Inc. and Subsidiaries
September 30, 2006

RESULTS OF OPERATIONS (cont)

| NINE MONTHS ENDED SEPTEMBER 30, 2006 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2005 | | | | | |
|---|------------------------------------|---------------------------------|------------|--------------|-------------|
| Line | Description | Nine Months Ended September 30, | | Differences | Percent |
| | | 2006 | 2005 | | Change |
| 1 | Revenues | \$ 1,592,099 | \$ 713 | \$ 1,591,386 | 223,195.79% |
| 2 | Cost of Revenues | \$ 977,101 | -- | \$ 977,101 | 100.00% |
| 3 | Costs and Expenses | \$ 2,103,830 | \$ 788,890 | \$ 1,314,940 | 166.68% |
| 4 | General and Administrative Expense | \$ 1,420,675 | \$ 164,390 | \$ 1,256,285 | 764.21% |
| 5 | Shareholder Services | \$ 16,655 | -- | \$ 16,665 | 100.00% |
| 6 | Salaries and Wages | \$ 666,500 | \$ 624,500 | \$ 42,000 | 6.73% |
| 7 | Other Income and (Expenses) | \$ (364,727) | \$ 138,113 | \$ (502,840) | (364.08)% |
| 8 | Other Income | \$ 167,132 | -- | \$ 167,132 | 100.00% |
| 9 | Lawsuit Settlement | \$ 124,828 | 233,893 | \$ (109,065) | (46.63)% |
| 10 | Interest Income | \$ 17,501 | -- | \$ 17,501 | 100.00% |
| 11 | Interest Expense | \$ (674,189) | (95,780) | \$ (578,409) | 603.89% |

Analysis of Nine Months Comparison

Line 1 - Revenue increased overall \$1,591,386 during 2006 due to Short Junction production.

Line 2 - Costs of revenues increased overall \$977,101 during 2006 due to Short Junction production.

Line 3 - Total costs and expenses increased overall \$1,314,940 during 2006. The detail explaining this increase is shown on lines 4 through 8 below.

Line 4 – This increase of \$1,256,285 is due to consulting fees.

Line 5 - This increase of \$16,655 is due to certain transfer agent and election fees.

Line 6 – This increase of \$42,000 is due to the changes in officers during 2006 and 2005.

Line 7 - Total other income and expenses increased overall by \$(502,840) in expenses during 2006. The detail explaining this increase is shown on lines 8 through 11 below.

Line 8 - The Company negotiated a settlement with Briar Patch Partners whereby the Company paid Briar Patch Partners \$125,000 during 2006 which resulted in other income of \$167,132.

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Line 9 – This decrease of \$109,065 is due to the final payments the Company received in the AIGI v Chase Mellon et al lawsuit.

Line 10 - This increase of \$17,501 is due to interest earnings on funds borrowed for Short Junction Field.

Line 11 - This increase of \$578,409 is due to initial credit facility fees and interest paid on funds borrowed for Short Junction Field.

LIQUIDITY AND CAPITAL RESOURCES

| Sources and Uses of Cash | | Nine Months Ended September 30, | |
|--|--|---------------------------------|-------------|
| | | <u>2006</u> | <u>2005</u> |
| Net cash provided by/(used in) | | | |
| Operating activities | | \$ (98,550) | \$ 719 |
| Investing activities | | (12,744,476) | -- |
| Financing activities | | <u>14,886,770</u> | <u>--</u> |
| Increase/(decrease) in cash and cash equivalents | | \$ 2,043,743 | \$ 719 |
| | | ===== | ===== |
| Cash and cash equivalents | | \$ 2,055,452 | \$ 1,093 |
| | | ===== | ===== |

Cash Flow from Operating Activities

2006

Cash used by operating activities totaled \$98,550 during 2006, cash provided by operating activities during 2005 was \$719. Contributing to this increase was \$62,500 in issuance of stock for salary, \$1,170,500 in issuance of stock for consulting, \$90,000 in depletion, a \$790,023 increase in prepaid expenses, a \$167,831 increase in accounts receivable, a \$57,538 increase in accounts receivable – joint interest, a \$14,177 increase in accounts receivable – other, a \$67,388 increase in accrued interest, a \$754,213 increase in accounts payable, a \$11,560 increase in accrued expenses, a \$594,000 increase in accrued salaries and a \$12,163 increase in taxes payable.

2005

Cash provided by operating activities was \$719 during 2005. Contributing to this decrease was \$31,000 in issuance of stock for consulting, \$656,627 in issuance of stock for expenses, accrued interest of \$76,492, accounts payable increase of \$35,084, a decrease of \$167,708 in accrued expenses and an increase of \$19,189 in taxes payable.

Cash Flow from Investing Activities

2006

The Company purchased oil and gas property during 2006 in the amount of \$12,744,476 for the Short Junction Field.

2005

There were no cash flows from investing activities during 2005.

Cash Flow from Financing Activities

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2006

The Company received capital contributions of \$3,000,000 from private parties and has a note payable of \$11,936,770 to purchase the Short Junction project.

2005

There were no cash flows from financing activities during 2005.

Directors and Officers Compensation

The Company currently has nominal cash reserves and no cash flow from operations. Until such time as the financial condition of the Company improves, the Company's Directors and Officers have agreed to have their salaries accrued with the sole exception that the previous Chief Financial Officer, James C. Row, received preferred stock consideration during the 3rd quarter of 2006.

Project Development Guidelines

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

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

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

The Company is exploring debt and equity financing.

ITEM 3. CONTROLS AND PROCEDURES

As required by Rule 13a-15(b), Company's executive management, including the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. As required by Rule 13a-15(d), the Company's executive management, including the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's

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internal control over financial reporting. Based on that evaluation, there has been no such change during the period covered by this report.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Legal Proceedings for the Quarter Ended September 30, 2006:

As of June 1, 2006, 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 has filed a breach of contract case claiming the Company (the defendant) has not paid Mr. Askari (the plaintiff) promised stock shares and \$33,000 in wages for work he did as a consultant in 2002 for John W. Adair and Adair International Oil & Gas, Inc. The Company believes that Mr. Askari was never a valid consultant for the Company and never did any work for the Company and therefore is not entitled to receive any compensation.

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 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8 -K

(a) Exhibits

31.1 Certification by CEO and CFO pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

32.2 Certification by CEO and CFO pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

The following table details the events reported in the nine months ending September 30, 2006 by the Company on Form 8-K. Each filing is incorporated herein by reference.

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| Filing Date | Description |
|-------------|---|
| 04/19/2006 | Item 8.01 Other Events – EnDevCo Purchases Short Junction Field |

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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 November 20, 2006.

ENDEVCO, INC.

CHRIS A. DITTMAR
CHIEF EXECUTIVE OFFICER AND DIRECTOR

RICHARD G. BOYCE
CHIEF OPERATING OFFICER AND DIRECTOR

LARRY SWIFT
CHIEF FINANCIAL OFFICER

JOHN A. BRUSH
NON-EXECUTIVE DIRECTOR

CHARLES R. CLOSE
NON-EXECUTIVE DIRECTOR

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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

In connection with the Quarterly Report of EnDevCo, Inc. (the "Company") on Form 10QSB (the "Report") for the quarter ended September 30, 2006 (the "Reporting Period"), as filed with the Securities Exchange Commission on the date hereof under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the undersigned, Chris A. Dittmar, Chief Executive Officer of the Company, certifies pursuant to Rule 13a-14(a) or 15d-14(a) under the Exchange Act that:

1. I have reviewed the Report.
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 they are made, not misleading with respect to the Reporting Period.
3. Based on my knowledge, the consolidated financial statements and other financial information included in the Report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the date and for the periods reported therein.
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) for the Company and internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company, and we have:
 - (a) designed those disclosure controls and procedures, or caused them 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 controls over financial reporting, or caused them to be designed under our supervision, to provide reasonable assurances 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 the Report our conclusions about the effectiveness of those disclosure controls and procedures, as of the end of the Reporting Period based on that evaluation; and
 - (d) disclosed in the Report any change in the Company's internal control over financial reporting that occurred during the last fiscal quarter of the Reporting Period that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

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EXHIBIT 31.1 (cont)

5. Based on our most recent evaluation of internal control over financial reporting, the Company's other certifying officer and I have disclosed to the Company's auditors and the audit committee of the Company's board of directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls 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.

CHRIS A. DITTMAR
CHIEF EXECUTIVE OFFICER
November 20, 2006

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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

In connection with the Quarterly Report of EnDevCo, Inc. (the "Company") on Form 10QSB (the "Report") for the quarter ended September 30, 2006 (the "Reporting Period"), as filed with the Securities Exchange Commission on the date hereof under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the undersigned, Larry Swift, Chief Financial Officer of the Company, certifies pursuant to Rule 13a-14(a) or 15d-14(a) under the Exchange Act that:

1. I have reviewed the Report.
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 they are made, not misleading with respect to the Reporting Period.
3. Based on my knowledge, the consolidated financial statements and other financial information included in the Report fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the date and for the periods reported therein.
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) for the Company and internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company, and we have:
 - (a) designed those disclosure controls and procedures, or caused them 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 controls over financial reporting, or caused them to be designed under our supervision, to provide reasonable assurances 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 the Report our conclusions about the effectiveness of those disclosure controls and procedures, as of the end of the Reporting Period based on that evaluation; and
 - (d) disclosed in the Report any change in the Company's internal control over financial reporting that occurred during the last fiscal quarter of the Reporting Period that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

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EXHIBIT 31.2 (cont)

5. Based on our most recent evaluation of internal control over financial reporting, the Company's other certifying officer and I have disclosed to the Company's auditors and the audit committee of the Company's board of directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls 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.

LARRY SWIFT
CHIEF FINANCIAL OFFICER
November 20, 2006

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EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE 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

In connection with the Quarterly Report of EnDevCo, Inc. (the "Company") on Form 10QSB (the "Report") for the quarter ended September 30, 2006, as filed with the Securities Exchange Commission on the date hereof under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the undersigned, Chris A. Dittmar, Chief Executive Officer, certifies 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, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; 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.

CHRIS A. DITTMAR
CHIEF EXECUTIVE OFFICER
November 20, 2006

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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

In connection with the Quarterly Report of EnDevCo, Inc. (the "Company") on Form 10QSB (the "Report") for the quarter ended September 30, 2006, as filed with the Securities Exchange Commission on the date hereof under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the undersigned, Larry Swift, Chief Financial Officer of the Company, certifies 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, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; 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.

LARRY SWIFT
CHIEF FINANCIAL OFFICER
November 20, 2006