

BAKKEN RESOURCES INC
Form 10-Q
November 19, 2013

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

FORM 10-Q

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

For the quarterly period ended SEPTEMBER 30, 2013

OR

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

For the transition period from _____ to _____

Commission File Number: 000-50344

BAKKEN RESOURCES, INC.

(Name of small business issuer in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

26-2973652

(I.R.S. Employer Identification No.)

1425 Birch Ave. Suite A, Helena, MT 59601

(Address of principal executive offices, including zip code)

(406) 442-9444

(Registrant's telephone number, including area code)

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

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

Large accelerated filer

[]

Accelerated filer

[]

Non-accelerated filer

[]

Smaller reporting company

[X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

The number of shares of issuer's outstanding common stock as of November 18, 2013 was 56,735,350.

BAKKEN RESOURCES, INC.

FORM 10-Q

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	
ITEM 1:	Financial Statements	3
ITEM 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	9
ITEM 4:	Controls and Procedures	12
PART II	OTHER INFORMATION	
ITEM 1:	Legal Proceedings	13
		13
ITEM 2:	Unregistered Sales of Equity Securities and Use of Proceeds	
ITEM 3:	Defaults Upon Senior Securities	13
ITEM 4:	Mine Safety Disclosures	13
ITEM 5:	Other Information	13
ITEM 6:	Exhibits	14
SIGNATURES		16

PART I. FINANCIAL INFORMATION
Item 1.**FINANCIAL STATEMENTS****BAKKEN RESOURCES, INC.****CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

	September 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash	\$1,176,128	\$693,320
Accounts receivable	1,345,075	745,226
Prepays	15,544	9,904
Total Current Assets	2,536,747	1,448,450
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$20,187 and \$13,620	17,461	24,028
PROVED MINERAL RIGHTS AND LEASES, net of accumulated depletion of \$798,313 and \$519,629	736,687	1,129,371
PROVED OIL AND GAS PROPERTIES, using successful efforts accounting, net of accumulated depletion of \$0	68,000	68,000
UNPROVED MINERAL RIGHTS AND LEASES	250,000	250,000
Total Assets	\$3,608,895	\$2,919,849

LIABILITIES AND STOCKHOLDERS' EQUITY**CURRENT LIABILITIES:**

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Accounts payable	\$50,945	\$78,562
Accrued liabilities	145,048	7,153
Royalty payable to related party	399,075	169,145
Current portion installment	—	120,000
Total Current Liabilities	595,068	374,860
Long-term portion installment	—	847,119
Total Liabilities	595,068	1,221,979

STOCKHOLDERS' EQUITY:

Preferred stock, \$.001 par value, 10,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$.001 par value, 100,000,000 shares authorized, 56,735,350 shares issued and outstanding	56,735	56,735
Additional paid-in capital, net of offering costs	3,479,452	3,400,578
Accumulated deficit	(522,360)	(1,759,443)
Total Stockholders' Equity	3,013,827	1,697,870
Total Liabilities and Stockholders' Equity	\$3,608,895	\$2,919,849

See accompanying notes to the unaudited consolidated financial statements.

BAKKEN RESOURCES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
REVENUES	\$1,132,815	\$348,599	\$2,562,036	\$909,353
OPERATING EXPENSES:				

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Depreciation and depletion	71,522	138,183	285,251	301,504
Payroll	82,696	83,210	252,207	249,777
Professional fees	267,654	220,329	705,215	706,986
Loss on impairment of asset	—	—	—	950
General and administrative expenses	27,104	23,072	79,214	90,555
Total Operating Expenses	448,976	464,794	1,321,887	1,349,772
INCOME (LOSS) FROM OPERATIONS	683,839	(116,195)	1,240,149	(440,419)
OTHER INCOME (EXPENSES):				
Interest income	194	196	590	1,286
Other income	24	405	24	505
Loss on extinguishment of debt	—	—	—	(22,092)
Gain on settlement of interest	15,608	—	15,608	—
Interest expense	—	(7,512)	(19,288)	(217,588)
Total other income (expenses)	15,826	(6,911)	(3,066)	(237,889)
NET INCOME (LOSS)	\$699,665	\$(123,106)	\$1,237,083	\$(678,308)
NET INCOME (LOSS) PER COMMON SHARE - BASIC AND DILUTED:	\$0.01	\$(0.00)	\$0.02	\$(0.01)
Weighted average common shares outstanding - basic	56,735,350	55,935,350	56,735,350	56,924,422
Weighted average common shares outstanding - diluted	56,903,652	55,935,350	56,901,116	56,924,422

See accompanying notes to the consolidated financial statements.

BAKKEN RESOURCES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2013

(UNAUDITED)

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Stockholders Equity
Balances at December 31, 2012	56,735,350	\$56,735	\$3,400,578	\$(1,759,443)) \$1,697,870
Options expense	—	—	78,874	—	78,874
Net income	—	—	—	1,237,083	1,237,083
Balances at September 30, 2013	56,735,350	\$56,735	\$3,479,452	\$(522,360)) \$3,013,827

See accompanying notes to the unaudited consolidated financial statements.

BAKKEN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**(UNAUDITED)**

Nine Months Ended
September 30,
2013 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

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Net income (loss)	\$1,237,083	\$(678,308)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and depletion expense	285,251	301,504
Options expense	78,874	239,878
Gain on settlement of interest	(15,608)	—
Loss on disposal of fixed assets	—	950
Warrants issued for induced conversion of debt	—	174,233
Loss on extinguishment of debt	—	22,092
Consulting services paid through transfer of fixed asset	—	1,598
Changes in operating assets and liabilities:		
Accounts receivable	(599,849)	(477,217)
Prepays	(5,640)	(849)
Accounts payable	(27,617)	24,455
Royalty payable to related party	229,930	35,317
Accrued liabilities	142,395	12,267
Deferred income	—	(12,113)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,324,819	(356,193)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisition of oil and gas properties	—	(34,000)
Cash paid for acquisition of property and equipment	—	(1,312)
NET CASH USED IN INVESTING ACTIVITIES	—	(35,312)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments made on debt	(842,011)	(254,660)
Proceeds from sale of common stock, net of offering costs	—	25,000
NET CASH USED IN FINANCING ACTIVITIES	(842,011)	(229,660)
NET CHANGE IN CASH	482,808	(621,165)
Cash at beginning of period	693,320	956,263
Cash at end of period	\$1,176,128	\$335,098
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Interest paid	\$21,941	\$73,481
Taxes paid	—	—
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued to settle debt and accrued interest	\$—	\$156,694
Related party payable incurred for acquisition of oil and gas properties	—	34,000
Settlement of installment note resulting in reduced carrying value of proved mineral rights	114,000	—

See accompanying notes to the unaudited consolidated financial statements.

BAKKEN RESOURCES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 - ORGANIZATION AND OPERATIONS

When the company was incorporated on June 6, 2008, in Nevada, Bakken Resources, Inc. (BRI), was organized to distribute interactive multimedia language education software. On June 11, 2010, BRI and Bakken Development Corporation, its wholly-owned Nevada subsidiary, entered into an Option to Purchase Assets Agreement between Holms Energy and Multisys Acquisition, pursuant to which Holms Energy agreed to grant Multisys Acquisition an option to purchase certain oil and gas production royalty rights on land in North Dakota. This option was exercised on November 26, 2010.

Formation of Multisys Acquisitions, Inc.

On June 3, 2010, BRI formed a wholly owned subsidiary, Multisys Acquisitions, Inc. in Nevada. On December 28, 2010, Multisys Acquisitions, Inc. changed its name to Bakken Development Corporation.

Formation of BR Metals, Inc.

On January 13, 2011, the Company formed a Nevada corporation, BR Metals Corporation, as a wholly owned subsidiary to engage in the business of identifying, screening, evaluating, and acquiring precious metals properties in the Western United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America and with the rules and regulations of the Securities and Exchange Commission to Form 10-Q and Article 8 of Regulation S-X. These unaudited interim consolidated financial statements should be read in conjunction with the financial statements of the Company for the year ended December 31, 2011 and notes thereto contained in the information as part of the Company's Annual Report on Form 10-K filed with the SEC on April 16, 2012. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal 2011 as reported in the Form 10-K have been omitted. In the opinion of management, the unaudited interim consolidated financial statements furnished reflect all adjustments (consisting of normal recurring adjustments) which are necessary to present fairly the financial position and the results of operations for the interim periods presented herein. Unaudited interim results are not necessarily indicative of the results for the full year.

Basis of consolidation

The consolidated financial statements include those of Bakken Resources, Inc. and its wholly-owned subsidiaries, Bakken Development Corp. and BR Metals, Inc. (collectively, the Company). All material intercompany balances and transactions have been eliminated in consolidation.

Reclassification

Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the current period presentation.

Oil and Gas Properties

The Company owns royalty interests only and no working interests. The Company capitalizes asset acquisition costs. Unproved oil and gas properties are periodically assessed to determine whether they have been impaired, and any impairment in value is charged to expense. The costs of unproved properties, which are determined to be productive, are transferred to proved oil and gas properties and amortized on an equivalent unit-of-production basis.

During the period ended September 30, 2013, the Company recognized no impairment of its oil and gas properties.

Revenue recognition

The Company follows the guidance of paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectibility is reasonably assured.

As of September 30, 2013 BRI owns mineral rights for 7,605 (net 2,303) acres in the Bakken/Three Forks in North Dakota and approximately 2,200 acres in the Duck Lake area of Montana. We own a 50% net mineral interest in the Duck Lake acreage minerals. The Duck Lake acreage is not being developed as of September 30, 2013.

The mineral rights in North Dakota are leased to three well operators, Oasis Petroleum, Continental Resources and Statoil ASA (formerly, Brigham Oil). The royalty income is calculated monthly and the Company recognizes royalty income upon production reported on the North Dakota Industrial Commission website. At September 30, 2013 the Company has received division orders for twenty-four Bakken formation wells and three Madison formation wells.

NOTE 3 RELATED PARTY TRANSACTIONS

Royalty payable - officer

In connection with the acquisition of the Holms Property (see Note 3), the Company granted to Holms Energy, which is owned by an officer of the Company, a 5% overriding royalty on all revenue generated from the Holms Property for ten years from the date of the acquisition closing. As of September 30, 2013 and December 31, 2012, the royalty payable was \$399,075 and \$169,145, respectively.

NOTE 4 NOTES PAYABLE

In connection with the acquisition of the Holms Property, the Company incurred an installment note payable with interest at 5% per annum. As of December 31, 2012, the aggregate unpaid balance was \$967,119. Under the terms of the agreement, in the event that a comprehensive mineral title search revealed that the net acres acquired by the Company were greater than or less than 824.5 net mineral acres, the purchase price and corresponding installment note would be reduced by \$2,000 per acre. During July 2013, a comprehensive mineral title search was completed and it was determined that the Company acquired 57 less acres than originally stated in the mineral rights acquisition agreement. Accordingly, the carrying value of the proved mineral rights and the amount owed under the corresponding installment note were reduced by \$2,000 per acre, or \$114,000. In addition, the interest previously accrued and paid on this \$114,000 of principal was forgiven resulting in a further reduction of principal in the amount of \$11,108 and a reduction of accrued interest in the amount of \$4,500. The Company recognized a gain on the settlement of interest of \$15,608 and a reduction to the carrying value of the proved mineral rights of \$114,000 during the nine months ended September 30, 2013. Upon completion of the comprehensive mineral title search and settlement of the installment note and interest, the Company paid in full the remaining principal balance of the installment note of \$842,011.

NOTE 5 STOCKHOLDERS EQUITY

During the nine months ended September 30, 2013, aggregate options expense of \$78,784 was recognized related to options granted during the prior year. As of September 30, 2013, an aggregate of \$31,306 remains to be expensed through March 2014.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes thereto included in this quarterly report on Form 10-Q (the "Quarterly Report") and the audited financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2012 (the "2012 Annual Report"), as filed with the Securities and Exchange Commission (the "SEC").

In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those identified in the 2012 Annual Report in the section entitled Risk Factors.

Overview

BRI is an oil and gas exploration company, with properties located mostly in the Bakken. As of November 18, 2013, the Company owns 50% of the mineral rights to approximately 7,605 gross acres of land located about 8 miles southeast of Williston, North Dakota. Our current and proposed operations consist of holding certain mineral rights which presently entitle the Company to royalty rights on average of 12.5% from the oil and gas produced on such lands. We have no working interest rights to influence the activities conducted by the Lessees of our mineral rights. In the event the operators fail to meet their drilling commitment, the Company has only three options: 1) it can agree to grant an extension; 2) it can renegotiate the terms of the existing leases; or 3) it can legally terminate the leases. We will focus on evolving the Company into a growth-orientated independent energy company engaged in the acquisition, exploration, exploitation, and development of oil and natural gas properties; focusing our activities initially in the Williston Basin, a large sedimentary basin in eastern Montana, Western North and South Dakota, and Southern Saskatchewan known for its rich deposits of petroleum and potash.

On February 4, 2011, we entered into agreements relating to the private placement of \$50,000 of our securities through the sale of 200,000 shares of our common stock at \$0.25 per share, with 100,000 total warrant shares attached that are exercisable at \$.50 per share for three years from the date of this sale and callable at \$0.01 per share at any time after February 4, 2012, if the underlying shares are registered and the common stock trades for 20 consecutive trading days at an average closing sales price of \$.75 or more. In conjunction with the private placement, there were no fees, commissions, or professional fees for services payable. The placement was undertaken by the officers of the Company. The private placement of these securities was exempt from registration under pursuant to Section 4(2) of the Securities Act of 1933, as amended. The proceeds from these sales of unregistered securities were used to funding Company operations.

On March 18, 2011, we entered into agreements relating to the private placement of \$695,000 of our securities on substantially similar terms as in the February 4, 2011 closing. The placement was undertaken by the officers of the Company. The private placement of these securities was exempt from registration under pursuant to Section 4(2) of the Securities Act of 1933, as amended. The proceeds from these sales of unregistered securities were used to funding Company operations. With the conclusion of the March 18, 2011 closings, the raise under the original private placement which commenced in November 2010 for \$2.5 million were completed in full.

In May and June 2011, we entered into a series of convertible debt agreements with certain investors in an aggregate amount of \$300,000. Such notes bear an annual interest rate of 6% and shall be converted into shares of common stock of the Company upon the closing of a qualified equity financing round prior to December 31, 2011. Conversion, if it occurs, would be at a 25% discount to the price per share of the qualified financing round. Interest on the Notes shall not be deemed payable in the event of an equity conversion pursuant to a qualified financing round.

The Company issued the notes pursuant to the exemption from registration afforded by the provisions of Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder. In January 2012, holders of \$155,000 of such notes elected to convert at a price of \$0.375 per share. Also in January 2012, holders of \$95,000 of note elected to extend such notes until June 30, 2012.

In September 2011 and February 2012, we sold an aggregate of 150,000 shares of common stock of the Company at \$0.50 per share pursuant to subscription agreements. The September 2011 and February 2012 investors also received an aggregate of 75,000 warrants exercisable at \$0.75 per share reflecting 50% of the original investment amount. The Company received gross proceeds of \$75,000 in connection with this sale. The Company issued the shares and warrants pursuant to the exemption from registration afforded by the provisions of Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

Results of Operations

Comparison of the Three Months Ended September 30, 2013 and September 30, 2012

Revenue. We accrued revenue for the quarter ended September 30, 2013 of \$1,132,815, compared to revenue of \$348,599 for the three months ended September 30, 2012. The revenue amount for the period ended September 30, 2013 is based on our estimates for third quarter oil production from our currently producing wells and is based on a conservative estimate of currently available public information. Since the beginning of 2011, we have received royalty checks totaling \$5,086,793 through September 30, 2013 from wells operated by Continental Resources, Brigham Oil and Oasis Petroleum. Typically, royalty checks from oil well operators can be delivered anytime between 60 to 150 days following the month of initial production. Following oil well production, the oil well operator will usually seek a division order title opinion from any attorney which would describe the ownership of the production. Following issuance of this opinion, the oil well operator will generally issue division orders which would set forth payments to the royalty holders. North Dakota law requires payment of 18% annual interest if royalty payments are not made within 150 days after oil produced by the well is marketed. For additional information regarding the rights of royalty holders, see the [Royalty Owner Information Center](#) link found on the website for the North Dakota Petroleum Council, www.ndoil.org.

General and Administrative Expenses. General and administrative expenses were \$27,104 for the three-month period ended September 30, 2013 compared to \$23,072 for the same period in 2012, an increase of \$4,032.

Our material financial obligations include our salaries paid to our three current employees, fees paid to outside consultants, public company reporting expenses, transfer agent fees, bank fees, and other recurring fees.

Comparison of the Nine Months Ended September 30, 2013 and September 30, 2012

Revenue. We accrued revenue for the nine months ended September 30, 2013 of \$2,562,036, compared to revenue of \$909,353 for the nine months ended September 30, 2012. The revenue amount for the period ended September 30, 2013 is based on our estimates for third quarter oil production from our currently producing wells and is based on a conservative estimate of currently available public information.

General and Administrative Expenses. General and administrative expenses were \$79,214 for the nine month period ended September 30, 2013 compared to \$90,555 for the same period in 2012, a decrease of \$11,341. The decrease is primarily attributable to decreased travel.

Our material financial obligations include our salaries paid to our three current employees, fees paid to outside consultants, public company reporting expenses, transfer agent fees, bank fees, and other recurring fees.

Liquidity and Capital Resources

The Company has historically met our capital requirements through the issuance of stock and by borrowings. From November 2010 through March 2011, the Company raised approximately \$2.5 million in equity financing, net of offering costs of approximately \$0.2 million. As of September 30, 2013, the Company had cash of \$1,176,128. Our recent rate of use of cash in operations over the last three months has been approximately \$285,902 per month. This amount is primarily due to final payment of a long term note payable and accumulated royalty payments.

Approximately \$112,500 consists mainly of salaries, office rent and professional fees and is consistent with general operating cash used in prior quarters. Given our recent rate of use of cash in our operations, we believe we have sufficient capital to carry on operations for the next year. Our long term capital requirements and the adequacy of our available funds will depend on many factors, including the reporting company costs, public relations fees, and operating expenses, among others.

In the future, we anticipate we will be able to provide the necessary liquidity we need by the revenues generated from the royalties received through sales of our oil reserves in our existing properties. No assurances, however, can be given that such royalties will continue to be received. As of September 30, 2013, the royalty revenues received have been sufficient to provide liquidity during the previous twelve months. If the Company does not generate sufficient revenues it will continue to finance operations through equity and/or debt financings.

We will continue to evaluate additional properties containing mineral rights which we may seek to acquire. With respect to transactions involving the acquisition of additional mineral rights or other business collaboration transactions, we may seek to issue shares of our common stock or other equity to finance part or all such acquisitions or transactions. To the extent that such acquisitions or transactions require cash payments, such payments will likely have a material impact on our liquidity.

Until we can generate significant revenues from operations, we expect to continue to fund operations with proceeds of offerings of our equity and debt securities. However, we may not be successful in obtaining cash from new or existing agreements or licenses, or in receiving royalty payments under our existing leases. In addition, we cannot be sure that additional

10

financing will be available when needed or that, if available, financing will be obtained on terms favorable to us or to our stockholders. Having insufficient funds may require us to delay, scale back, or eliminate some or all of our business development activities. Failure to obtain adequate financing also may adversely affect our ability to operate as a going concern. If we raise additional funds from the issuance of equity securities, substantial dilution to our existing stockholders would likely result. If we raise additional funds by incurring debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to operate our business.

Satisfaction of our cash obligations for the next 12 months

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing and JV drilling partnerships. We do not anticipate enough positive internal operating cash flow until we can generate substantial oil and gas royalty revenues. In the event we cannot obtain the necessary capital to pursue our strategic plan, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations. However, due to our low overhead, we are not dependent on new capital if we do not wish to accelerate our drilling programs and/or buy up working interests in potential wells during the next 12 months.

Since inception, we have financed cash flow requirements through debt financing and issuance of common stock for cash and services. As we expand operational activities, we may continue to experience net negative cash flows from

operations, pending receipt of sales or development fees, and will be required to obtain additional financing to fund operations through common stock offerings and debt borrowings to the extent necessary to provide working capital.

Over the next twelve months we believe that existing capital and anticipated funds from operations will be sufficient to sustain current operations. We may seek additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities. No assurance can be made that such financing would be available, and if available it may take either the form of debt or equity. In either case, the financing could have a negative impact on our financial condition and our Stockholders.

We have collected approximately \$5,086,793 in royalty income from August 2011 to September 30, 2013 from production on thirty wells. We have information that an additional seven (7) wells are either in production or are in confidential status. Although we believe that our income from our wells will likely reduce or eliminate operating losses in the near future, we have no control over the timing of when we will receive such royalty payments. In addition, there can be no assurance that we will be successful in addressing operational risks as previously identified under the "Risk Factors" section, and the failure to do so can have a material adverse effect on our business prospects, financial condition and results of operations.

Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangement that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies, Estimates, and Judgments

Our financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We continually evaluate our estimates and judgments, the most critical of which are those related to revenue recognition, the timing of the royalty revenues, and income taxes. We base our estimates and judgments on historical experience and other factors that we believe to be reasonable under the circumstances. Materially different results can occur as circumstances change and additional information becomes known.

Besides the estimates identified above that are considered critical, we make many other accounting estimates in preparing our financial statements and related disclosures. All estimates, whether or not deemed critical, affect reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingent assets and

liabilities. These estimates and judgments are also based on historical experience and other factors that are believed to be reasonable under the circumstances. Materially different results can occur as circumstances change and additional information becomes known, even for estimates and judgments that are not deemed critical.

For further information, refer to the consolidated financial statements and notes thereto included in the company's annual report on Form 10-K for the year ended December 31, 2012.

Item 4.

CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by a company's board of directors, management and other personnel, 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 and includes those policies and procedures that:

·
Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

·
Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

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 the financial statements.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of September 30, 2013.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified material weaknesses in our internal control over financial reporting as of September 30, 2013 because certain elements of an effective control environment were not present as of September 30, 2013, including the financial reporting processes and procedures, and internal control procedures by our board of directors as we have yet to establish an audit committee and our full board has not been adequately performing those functions. There exists a significant overlap between management and our board of directors, with three of our six directors being members of management.

Based on this assessment and the material weaknesses described above, management has concluded that internal control over financial reporting was not effective as of September 30, 2013. We have hired a Chief Financial Officer and have developed policies relating to our internal controls and procedures to help address any material weaknesses.

We intend to take the following steps as soon as practicable to remediate the material weaknesses we identified as follows:

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We will segregate incompatible functions using existing personnel where possible or, given sufficient capital resources, we will hire additional personnel to perform those functions. In this regard, we note in particular the formal appointment of David Deffinbaugh, our CFO, to our Board as well as the entry of Mr. Deffinbaugh into a written employment agreement with the Company.

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We will, and have, appointed additional outside directors, particularly those who may have experience with regard to financial reporting, financial reporting processes and procedures and internal control procedures. In this regard, we

note in particular the appointment of W. Edwards Nichols to our Board.

§

To the extent we can attract outside directors, we plan to form an audit committee to review and assist the board with its oversight responsibilities and appoint a financial expert to be the chairperson of such audit committee.

Changes in Internal Control Over Financial Reporting

As of the end of the period covered by this Report, there have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended September 30, 2013, that materially affected, or are reasonably likely to materially affect, our company's internal control over financial reporting.

12

PART II OTHER INFORMATION

Item 1.

LEGAL PROCEEDINGS

On April 2, 2012, BRI was served with a summons relating to a complaint filed by Allan Holms, both individually and derivatively through Roil Energy, LLC. Allan Holms is the half-brother of BRI's CEO, Val Holms. The complaint (filed in the Superior Court of the State of Washington located in Spokane County) names, among others, Joseph Edington, Val and Mari Holms, Holms Energy, LLC and BRI as defendants. The Complaint primarily alleges breach of contract, tortious interference with prospective business opportunity and fraud. The complaint focuses on events

allegedly occurring around February and March 2010 whereby Allan Holms alleged an oral agreement took place whereby he was to receive up to 40% of the originally issued equity of Roil Energy, LLC. Allan Holms alleges Roil Energy was originally intended to be the predecessor entity to BRI. Both Mr. Val Holms, our CEO, and BRI dispute such allegations in their entirety and intend to vigorously defend such claims.

In March 2013, the Company received notice of a complaint titled Gillis v. Bakken Resources, Inc., Case No. A-13-675280-B, filed in the District Court of the State of Nevada for Clark County. Mr. Gillis, the plaintiff in this matter (the Gillis Case), is the trustee of the Bruce and Marilyn Gillis 1987 Trust. Mr. Gillis is the Trustee of such trust. Mr. Gillis is alleging that Client breached certain registration rights obligations pursuant to an equity investment made at or around November 2010. The Company denies the validity of the claims made in the Gillis Case and intends to vigorously defend against such claims. At this time, the range loss is not estimable but is not expected to exceed \$50,000.

On June 21, 2013, the court in the Washington case granted BRI and the other defendants in the Washington case summary judgment on the defendants' request to dismiss all tortious interference claims.

On or around July 18, 2013, BRI received notice of a complaint filed in McKenzie County, ND (Roil Energy v. Toll Reserve Consortium (ND Dist. Ct., Case No. 27-2013-CV-00124)) (the ND Case). The plaintiffs in the ND Case are the same as in the Washington case described above. The claims in the ND Case arise from the same facts alleged by the plaintiffs in the Washington case. The plaintiffs in the ND Case seek to, among other things, quiet title in mineral assets the plaintiffs claim were intended to be conveyed to Roil Energy. As with the Washington case, BRI disputes these allegations in their entirety and intends to vigorously defend against such claims.

As a result of the most recent complaint filed in McKenzie County, ND, two of the operators have ceased making monthly royalty payments. The payments are being held in suspense pending the outcome of this litigation. A third operator has not changed its royalty payment schedule to BRI. The company is working to have the suspension lifted and the suspended payments paid.

Item 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3.

DEFAULTS UPON SENIOR SECURITIES

None.

Item 4.

MINE SAFETY DISCLOSURES

Not applicable.

Item 5.

OTHER INFORMATION

On July 31, 2013, Bakken Resources, Inc. made its final payment on a long term note payable for the purchase of approximately 800 +/- net mineral acres in McKenzie County, North Dakota. The original purchase price of the acreage was \$1.6 million. Following an upfront payment of \$351,000, the beginning balance on the note was \$1,249,000 at the inception date of November 12, 2010. This note was originally amortized with quarterly payments through February 2019.

13

Item 6.

EXHIBITS

The following exhibit index shows those exhibits filed with this report and those incorporated herein by reference:

		Incorporated Herein by Reference			
Exhibits	Description of Document	Filed Herewith	Form	Exhibit	Filing Date
3.1	Articles of Incorporation		S-1	3.1	02-26-09
3.2	Bylaws		S-1	3.2	02-26-09
4.1	Non-Qualified Stock Option and Stock Appreciation Rights Plan adopted on June 10, 2008		S-1	10.3	02-26-09
4.2	Form of Registration Rights Agreement 2010		10-K	4.3	04-15-11
4.3	Form of Warrant 2010		10-K	4.4	04-15-11
4.4	Form of Warrant 2011 (Convertible Bridge Loan)		8-K	10.1	05-25-11
4.5	Form of Convertible Promissory Note 2011		8-K	10.2	05-25-11
10.1	Assignment of Interest Agreement between Bakken Resources, Inc. (formerly Multisys Language Solutions, Inc.) and Peter Schmid dated June 11, 2008		S-1	10.2	02-26-09
10.2	Asset Purchase Agreement with Holms Energy, LLC entered into on November 26, 2010		8-K	10.1	10-21-10
10.3	Asset Purchase Agreement between Holms Energy, LLC and Evenette and Rocky Greenfield entered into on November 12, 2010		8-K	10.2	10-21-10
10.4	Promissory note with Holms Energy, LLC for \$485,000 entered into on November 12, 2010		8-K	10.2	11-18-10
10.5	Office Lease beginning December 1, 2010		10-K	10.6	04-15-11
10.6	Form of Common Stock and Warrant Purchase Agreement 2010		10-K	10.7	04-15-11
10.7	Employment Agreement by and between Bakken Resources, Inc. and Val M. Holms, dated February 1, 2011		8-K	10.1	02-07-11
10.8	Employment Agreement by and between Bakken Resources, Inc. and Karen Midtlyng, dated February 1, 2011		8-K	10.2	02-07-11
10.9	Employment Agreement by and between Bakken Resources, Inc. and David Deffinbaugh, dated effective as of January 1, 2012		10-K	10.10	04-16-12
10.10	Employment Agreement by and between Bakken Resources, Inc. and Val M. Holms, dated effective as of March 12, 2013		8-K	10.1	03-18-13
10.11	Employment Agreement by and between Bakken Resources, Inc. and Karen S. Midtlyng, dated effective as of March 12,		8-K	10.2	03-18-13

2013

10.12	Form of Securities Purchase Agreement, entered into by Bakken Resources, Inc. on February 4, 2011	8-K	10.1	02-09-11
10.13	Form of Securities Purchase Agreement, entered into by Bakken Resources, Inc. on March 18, 2011	8-K	10.1	03-24-11
10.14	Oil and Gas Lease by and between Rocky Greenfield and Evenette Greenfield, Trustees of the Revocable Living Trust of Rocky Greenfield and Evenette Greenfield and Empire Oil Company dated July 29, 2008	10-K	10.12	04-15-11
10.15	Oil and Gas Lease No.1 by and between Rocky Greenfield and Evenette Greenfield, Trustees of the Revocable Living Trust of Rocky Greenfield and Evenette Greenfield and Empire Oil Company dated July 14, 2008	10-K	10.13	04-15-11
10.16	Amendment to Oil and Gas Lease by and between The Rocky Greenfield and Evenette Greenfield Revocable	10-K	10.14	04-15-11

14

10.17	Living Trust, Rocky Greenfield and Evenette Greenfield, Trustees and Oasis Petroleum North America, LLC dated September 18, 2009 Extension, Amendment and Ratification of Oil and Gas Lease by and between Evenette Greenfield and Rocky Greenfield and The Armstrong Corporation dated September 9, 2003	10-K	10.15	04-15-11
10.18	Extension, Amendment and Ratification of Oil and Gas Lease by and between Evenette Greenfield and The Armstrong Corporation dated November 24, 2004	10-K	10.16	04-15-11
10.19	Oil and Gas Lease No.2 by and between Rocky Greenfield and Evenette Greenfield, Trustees of the Revocable Living Trust of Rocky Greenfield and Evenette Greenfield and Empire Oil Company dated July 14, 2008	10-K	10.17	04-15-11
10.20	Oil and Gas Lease by and between Val Holms and Mari Holms, individually and as Trustees of the Val Holms and Mari Holms Revocable Living Trust and Empire Oil	10-K	10.18	04-15-11

	Company dated July 29, 2008			
10.21	Oil and Gas Lease by and between Val Holms and Mari Holms, individually and as Trustees of the Val Holms and Mari Holms Revocable Living Trust and Empire Oil Company dated July 14, 2008	10-K	10.19	04-15-11
10.22	Oil and Gas Lease by and between Val Holms and Mari Holms, individually and as Trustees of the Val Holms and Mari Holms Revocable Living Trust and The Armstrong Corporation dated March 1, 2005	10-K	10.20	04-15-11
10.23	Oil and Gas Lease by and between Val Holms and Mari Holms Revocable Living Trust, Val Holms and Maris Holms Trustees and The Armstrong Corporation dated September 9, 2003	10-K	10.21	04-15-11
10.24	Oil and Gas Lease by and between Val Holms and Mari Holms, Trustees of the Val Holms and Mari Holms Revocable Living Trust and the Armstrong Corporation dated November 24, 2004	10-K	10.22	04-15-11
10.25	Oil and Gas Lease by and between Val Holms and Mari Holms, individually and as Trustees of the Val Holms and Mari Holms Revocable Living Trust and Empire Oil Company dated July 14, 2008	10-K	10.23	04-15-11
10.26	Form of Convertible Bridge Loan Agreement 2011	8-K	10.1	05-25-11
10.27	Mineral Property Sale and Purchase Agreement Between John L. Reely, Lincoln Green, Inc. and Bakken Resources, Inc. dated effective as of September 21, 2011	8-K	10.1	09-27-11
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer			X
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer			X
32.1	Section 1350 Certification of Chief Executive Officer			X
32.2	Section 1350 Certification of Chief Financial Officer			X

SIGNATURES

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

BAKKEN RESOURCES, INC.

/s/ Val M. Holms

Date: November 19, 2013

Val M. Holms

President, CEO, and Director

(Principal executive officer)

/s/ David Deffinbaugh

David Deffinbaugh

CFO, Treasurer, and Director

(Principal financial and accounting officer)