

BAKKEN RESOURCES INC
Form 10-Q
May 20, 2014

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 March 31, 2014

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

26-2973652

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(State or other jurisdiction of
incorporation or organization)

(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 May 20, 2014 was 56,735,350.

1

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	11

PART II OTHER INFORMATION

ITEM 1:	Legal Proceedings	12
ITEM 2:	Unregistered Sales of Equity Securities and Use of Proceeds	13

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)

March 31, 2014

December 31, 2013

ASSETS

CURRENT ASSETS

Cash	\$	3,116,608	\$	1,523,601
Cash held in reserve for property acquisition		6,000,000		—
Accounts receivable		477,683		1,938,457
Receivable from sale of proved mineral rights		787,125		—
Prepays		112,943		20,952
Total Current Assets		10,494,359		3,483,010
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$24,376 and \$22,376				
		13,272		15,272
PROVED MINERAL RIGHTS AND LEASES, net of accumulated depletion of \$0 and \$845,227				
		—		689,773
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	\$	10,825,631	\$	4,506,055

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$	46,192	\$	42,564
Payroll liabilities		1,300		—
Royalty payable to related party		264,428		614,149
Related party payable		161,265		—
Income tax payable		448,189		513,747
Deferred tax liability		2,100,000		—
Total Current Liabilities		3,021,374		1,170,460

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		3,510,759		3,496,296
Retained earnings (accumulated deficit)		4,236,763		(217,436)
Total Stockholders' Equity		7,804,257		3,335,595
Total Liabilities and Stockholders' Equity	\$	10,825,631	\$	4,506,055

See accompanying notes to the unaudited consolidated financial statements.

BAKKEN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,	
	2014	2013
REVENUES	\$ 337,252	\$ 519,912
OPERATING (INCOME) EXPENSES:		
Depreciation and depletion	16,507	103,851
Payroll	85,267	85,813
Professional fees	504,038	183,538
General and administrative expenses	29,201	27,751
Gain on sale of proved mineral rights	(7,195,982)	—
Total Operating (Income) Expenses	(6,560,969)	400,953
INCOME FROM OPERATIONS	6,898,221	118,959
OTHER INCOME (EXPENSES):		
Interest income	420	216
Interest expense	—	(6,356)
Total other income (expenses)	420	(6,140)
NET INCOME BEFORE TAXES	6,898,641	112,819
Income tax expense	(2,444,442)	—

NET INCOME	\$ 4,454,199	\$ 112,819
NET INCOME PER COMMON SHARE		
— BASIC AND DILUTED:	\$ 0.08	\$ 0.00
Weighted average common shares outstanding:		
— basic	56,735,350	56,927,169
— diluted	56,735,350	57,017,487

See accompanying notes to the unaudited consolidated financial statements.

4

BAKKEN RESOURCES, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2014

	Common Stock		Additional	(Accumulated	Total
	Shares	Amount	Paid-in	Deficit)	Stockholders
			Capital	Retained	Equity
				Earnings	
Balances - December 31, 2013	56,735,350	\$ 56,735	\$ 3,496,296	\$ (217,436)	\$ 3,335,595
Options expense	—	—	14,463	—	14,463
Net income	—	—	—	4,454,199	4,454,199
Balances March 31, 2014	56,735,350	\$ 56,735	\$ 3,510,759	\$ 4,236,763	\$ 7,804,257

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended March 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$4,454,199	\$112,819
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of proved mineral rights	(7,195,982)	
Depreciation and depletion expense	16,507	103,851
Options expense	14,463	45,370
Deferred tax liability	2,100,000	—
Changes in operating assets and liabilities:		
Accounts receivable	1,460,774	(25,428)
Prepays	(91,991)	2,772
Accounts payable	3,628	(53,748)
Accounts payable - related party	(188,456)	49,236
Accrued liabilities	1,300	(4,010)
Income tax liability	(65,558)	—
NET CASH PROVIDED BY OPERATING ACTIVITIES	508,884	230,862
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from sale of proved mineral rights	7,084,123	—
NET CASH PROVIDED BY INVESTING ACTIVITIES	7,084,123	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments made on debt	—	(167,118)

NET CASH USED IN FINANCING ACTIVITIES	—	(167,118)
NET CHANGE IN CASH	7,593,007	63,744
Cash at beginning of period	1,523,601	693,320
Cash at end of period	\$9,116,608	\$757,064
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Interest paid	\$—	\$12,187
Taxes paid	410,000	—
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Receivable from sale of proved mineral rights	\$787,125	—

See accompanying notes to the unaudited consolidated financial statements.

6

BAKKEN RESOURCES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 BASIS OF PRESENTATION AND 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, 2013 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 15, 2014. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal 2013 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.

Oil and Gas Properties

The Company owns royalty interests and one working interest. 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 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 three months ended March 31, 2014, the Company recognized no impairment of its oil and gas properties.

NOTE 2 RELATED PARTY TRANSACTIONS

Royalty Payable to Related Party

In connection with the acquisition of the Holms Property, 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 March 31, 2014 and December 31, 2013, the royalty payable was \$264,428 and \$614,149, respectively.

Related Party Payable

The Company collects royalty payments for certain wells on behalf of Holms Energy Development Corporation, which is owned by an officer of the Company. The Company does not generate any revenue associated with these royalty payments and the cash payments are remitted directly to Holms Energy Development Corporation by the Company. As of March 31, 2014, the Company had a payable of \$161,265 associated with these royalty payments collected by the Company during the three months ended March 31, 2014.

NOTE 3 SALE OF PROVED MINERAL RIGHTS

On February 4, 2014, the Company sold a portion of its producing proved mineral rights for an aggregate cash sales price of \$7,871,248 and a 2% retained royalty on proceeds derived from such sold mineral assets. The net book value of the asset on the date of the sale was \$675,266 resulting in a gain on the sale of proved mineral rights of \$7,195,982 for the three months ended March 31, 2014.

The property sold consists of the 767 net mineral acres acquired by the Company as part of the acquisition of the Greenfield mineral interests in 2010. During the year ended December 31, 2013, 36% of total revenue was generated from the property that was sold.

Upon the sale, the Company received cash proceeds of \$7,084,123. \$787,125 of the cash purchase price was placed in escrow for a period of 90 days (subject to certain adjustments) pending title review and confirmation. This escrowed balance is presented as a receivable from sale of proved mineral rights in the consolidated balance sheet as of March 31, 2014. During the three months ended March 31, 2014, the Company placed \$6,000,000 of the cash proceeds received in reserve with a third party for the future acquisition of oil and gas properties. The \$6,000,000 placed in reserve is not restricted in any way and the Company may access the funds at any time.

NOTE 4 STOCKHOLDERS EQUITY

During the three months ended March 31, 2014, aggregate options expense of \$14,463 was recognized related to common stock options granted during 2012. As of March 31, 2014, the options granted in March 2012 have been fully expensed.

NOTE 5 INCOME TAXES

During the three months ended March 31, 2014, aggregate income tax expense totaled \$2,444,442 consisting of \$344,442 of current income taxes payable and \$2,100,000 related to a deferred tax liability estimated at the expected federal income tax rate of 35%. During the three months ended March 31, 2014, the Company made income tax payments of \$410,000 and the current income tax payable as of March 31, 2014 was \$448,189.

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, 2013 (the "2013 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 2013 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 March 31, 2014, the Company owns 33.3333% 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 Section 4(2) of the Securities Act of 1933, as amended. The proceeds from these sales of unregistered securities were used to fund 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 Section 4(2) of the Securities Act of 1933, as amended. The proceeds from these sales of unregistered securities were used to fund 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 bore an annual interest rate of 6% and were to 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 would have been at a 25% discount to the price per share of the qualified financing round. Interest on the Notes would 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 notes 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 March 30, 2014 and March 31, 2013

Revenue. We generated revenue for the three months ended March 31, 2014 of \$337,252 compared to revenue of \$519,912 for the three months ended March 31, 2013. Since the beginning of 2011, we have received royalty checks totaling \$8,237,937 through March 31, 2014 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.

Operating Expenses. General and administrative expenses were \$29,201 for the three months ended March 31, 2014 compared to \$27,751 for the same period in 2013, an increase of \$1,450. Professional fees were \$504,038 for the three months ended March 31, 2014 compared to \$183,538 for the same period in 2013, an increase of \$320,500. During the three months ended March 31, 2014, we generated a gain on the sale of proved mineral rights of \$7,195,982 compared to zero during the same period in 2013.

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

As of March 31, 2014, the Company had cash of \$9,116,608 of which \$6,000,000 is reserved for a future acquisition of oil and gas properties. Our recent rate of use of cash in operations over the last three months has been approximately \$206,169 per month. This 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 March 31, 2014, 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 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 \$8,237,937 in royalty payments from August 2011 to March 31, 2014 from production on 45 wells. We have information that an additional nine (9) 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, 2013.

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 March 31, 2014.

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 March 31, 2014 because certain elements of an effective control environment were not present as of March 31, 2014, 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 March 31, 2014. 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.

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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 March 31, 2014, that materially affected, or are reasonably likely to materially affect, our company's internal control over financial reporting.

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 (the Allan Holms Case). 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 alleged 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. Defendant Jay Edington settled with the Plaintiffs prior to going to trial. The Allan Holms Case was heard in trial in November 2013.

The Washington court issued three separate findings of fact and conclusions of law in the Allan Holms Case (each, a Finding). These Findings were issued on December 2, 2013, February 4, 2014 and May 16, 2014. Neither Allan Holms nor Roil Energy, LLC were awarded any damages for their respective claims against the Defendants. However, the Washington court did award Allan Holms attorney fees and expenses in the amount of \$412,933.08 pursuant to the court's interpretation of a Nevada derivative action statute.

Collectively, the Findings contained the following determinations by the Washington court: (a) Plaintiff Roil Energy's cause of action against defendant Toll Reserve Consortium, Inc. for breach of contract was dismissed; (b) Plaintiff Allan Holms' causes of action against Val and Mari Holms, Holms Energy, LLC and Bakken Resources, Inc. for constructive trust and unjust enrichment were dismissed; Plaintiff Allan Holms' causes of action against defendants Val and Mari Holms, Holms Energy, LLC and Bakken Resources for breach of contract and breach of covenant of good faith and fair dealing were dismissed; (d) Plaintiffs' causes of action for declaratory judgment declaring that neither Holms Energy, LLC nor Bakken Resources, Inc. are bona-fide purchasers for value of the mineral interests in question were rejected; (e) Plaintiffs' action for declaratory action declaring that defendant Toll Reserve Consortium, Inc. executed and delivered to Plaintiff Roil Energy, LLC for valuable consideration a deed for the mineral interest in question were rejected; (f) Plaintiff Roil Energy, LLC was awarded judgment against Defendants Val and Mari Holms, Holms Energy, LLC and Bakken Resources, Inc., for fraud, breach of fiduciary duties and civil conspiracy to commit such torts against Roil Energy in the amount of \$0; (g) Plaintiff Allan Holms was awarded judgment against Defendants Val and Mari Holms, Holms Energy, LLC and Bakken Resources, Inc. for fraud, breach of fiduciary duties, oppression of minority interest and civil conspiracy to commit such torts in the amount of \$0; (h) Plaintiffs were granted declaratory judgment declaring that the attempted dissolution of Roil Energy, LLC by Val Holms and Jay Edington was unlawful under Nevada law and an integral part of the conspiracy to defraud Roil Energy, LLC, and Plaintiff Allan Holms was granted declaratory relief and judgment declaring that Allan Holms has proven his claims of fraud, breach of fiduciary duty, oppression of minority interest and civil conspiracy, and that Roil Energy, LLC has proven its claims of fraud, breach of fiduciary duties and civil conspiracy, thus rendering its derivative action successful, in part.

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 Allan Holms 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.

On June 6, 2012, the Company filed a Temporary Restraining Order (the "TRO Case") and Verified Complaint for Injunctive Relief against McKinley Romero, Peter Swan Investment Consulting Ltd and IWJ Consulting Group, LLC (collectively, the "IWJ Defendants"), in connection with the IWJ Defendants' request to the transfer agent to remove restrictive legends from an aggregate of 4.7 million shares, which the Company believes were improperly obtained by the IWJ Defendants. The Company obtained a temporary restraining order from the Second Judicial District Court of the State of Nevada, County of Washoe on June 6, 2012 enjoining the IWJ Defendants from seeking removal of the restrictive legends. On a scheduled hearing on June 26, 2012 the judge in this matter ruled in favor of the Company's motion for a preliminary injunction. The order granting such preliminary injunction was issued from this court on August 14, 2012. This matter is pending the Company's motion for final judgment in favor of the Company.

12

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 Court in this matter granted class certification and class notice in March 2014. The Company denies the validity of the claims made in the Gillis Case and intends to vigorously defend against such claims.

In March 2014, the Company received notice of a complaint titled Manuel Graiwer and TJ Jesky v. Val Holms, Herman Landeis, Karen Midtlyng, David Deffinbaugh, Bill Baber, W. Edward Nichols and Wesley Paul, Case No. CV14 00544, filed in the Second Judicial District Court of the State of Nevada for Washoe County. Msrs. Graiwer and Jesky, the plaintiffs in this matter (the "Graiwer Case"), bring action on behalf of the Company derivatively, and the Company is also named as a nominal defendant. Msrs. Graiwer and Jesky are shareholders of the Company and allege breach of fiduciary duty, gross negligence, corporate waste, unjust enrichment and civil conspiracy against one or more of the named defendants. The Company and is also informed that each of the other named defendants denies the validity of the claims made in the Graiwer Case and each intends to vigorously defend against such claims, as applicable.

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 May 13, 2014 the Company received \$763,294.35 of the \$787,125 held in escrow pending completion of title review and confirmation (see Note 3), with an agreed adjustment amount of \$23,830.65 released to buyer.

Item 6.**EXHIBITS**

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

Exhibits	Description of Document	Filed Herewith	Incorporated Herein by Reference		
			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		S-1	10.2	02-26-09

	between Bakken Resources, Inc. (formerly Multisys Language Solutions, Inc.) and Peter Schmid dated June 11, 2008 Asset Purchase Agreement with Holms Energy, LLC entered into on November 26, 2010	8-K	10.1	10-21-10
10.2				
	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
10.3				
	Promissory note with Holms Energy, LLC for \$485,000 entered into on November 12, 2010	8-K	10.2	11-18-10
10.4				
	Office Lease beginning December 1, 2010	10-K	10.6	04-15-11
10.5				
	Form of Common Stock and Warrant Purchase Agreement 2010	10-K	10.7	04-15-11
10.6				
	Employment Agreement by	8-K	10.1	02-07-11
10.7				

	and between Bakken Resources, Inc. and Val M. Holms, dated February 1, 2011 Employment Agreement by and between Bakken Resources, Inc. and Karen Midtlyng, dated February 1, 2011 Employment Agreement by and between Bakken Resources, Inc. and David Deffinbaugh, dated effective as of January 1, 2012 Employment Agreement by and between Bakken Resources, Inc. and Val M. Holms, dated effective as of March 12, 2013 Employment Agreement by and between Bakken Resources, Inc. and Karen S. Midtlyng, dated effective as of March 12, 2013 Form of Securities Purchase				
10.8		8-K	10.2	02-07-11	
10.9		10-K	10.10	04-16-12	
10.10		8-K	10.1	03-18-13	
10.11		8-K	10.2	03-18-13	
10.12		8-K	10.1	02-09-11	

	Agreement, entered into by Bakken Resources, Inc. on February 4, 2011			
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	10-K	10.14	04-15-11

	Rocky Greenfield and Evenette Greenfield Revocable Living Trust, Rocky Greenfield and Evenette Greenfield, Trustees and Oasis Petroleum North America, LLC dated September 18, 2009		
10.17	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 Company dated July 29, 2008	10-K	10.18 04-15-11
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 Mineral Property Sale and Purchase Agreement	8-K	10.1 05-25-11
10.27	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

10.28 Indemnification Agreement with Oasis Petroleum, Inc. dated January 23, 2014.	X
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: May 20, 2014

Val M. Holms

President, CEO, and Director

(Principal executive officer)

/s/ David Deffinbaugh

David Deffinbaugh

CFO, Treasurer, and Director

(Principal financial and accounting officer)

