

BAKKEN RESOURCES INC
Form 10-Q
October 03, 2017

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, 2016

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.)

825 Great Northern Boulevard, Expedition Block, Suite 304, 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 ☐ 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 ☒

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

Yes ☐ No ☒

The number of shares of issuer's outstanding common stock as of September 30, 2016 was 56,735,350.

BAKKEN RESOURCES, INC.
FORM 10-Q

Bakken Resources, Inc. (the "Company") is filing this Quarterly Report on Form 10-Q for the period ending September 30, 2016, concurrently with Quarterly Reports for the periods ending March 31, 2016 and June 30, 2016. Exhibit indexes and certain other disclosures are made as of the filing date.

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	
ITEM 1:	Financial Statements (Unaudited)	3
ITEM 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
ITEM 3:	Controls and Procedures	14
PART II	OTHER INFORMATION	
ITEM 1:	Legal Proceedings	16
ITEM 2:	Unregistered Sales of Equity Securities and Use of Proceeds	17
ITEM 3:	Defaults Upon Senior Securities	17
ITEM 4:	Mine Safety Disclosures	18
ITEM 5:	Other Information	18
ITEM 6:	Exhibits	19
SIGNATURES		23

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BAKKEN RESOURCES, INC
CONSOLIDATED BALANCE SHEETS

	(unaudited) 30-Sep-16	(audited) 31-Dec-15
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 752,969	\$ 228,952
Accounts receivable - trade	1,519,801	683,146
Related party receivable	101,976	101,976
Prepaid expenses	71,575	61,876
Other receivables	144,114	390,524
Income tax refunds receivable	656,778	354,951
Investments available for sale	3,428,439	4,005,777
Total current assets	6,675,652	5,827,202
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$31,630 and \$37,724	1,162	2,977
UNPROVED MINERAL RIGHTS AND LEASES	50,000	801,941
Total Assets	\$ 6,726,814	\$ 6,632,120
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 62,148	\$ 114,921
Accrued liabilities	203,445	74,324
Related Party Payable	163,037	-
Total Liabilities	428,630	189,245
COMMITMENTS AND CONTINGENCIES (see Note 7)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.001 par value, 10,000,000 shares authorized, 600,000 Series A shares outstanding	600	-
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	4,710,159	3,510,759
Accumulated other comprehensive income	159,100	2,313
Retained earnings	1,371,590	2,873,068
Total Stockholders' Equity	6,298,184	6,442,875
Total Liabilities and Stockholders' Equity	\$ 6,726,814	\$ 6,632,120

See accompanying notes to the consolidated financial statements.

BAKKEN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
REVENUES	\$ 471,839	\$ 247,619	\$ 690,632	\$ 705,447
OPERATING (INCOME) EXPENSE				
Depreciation and depletion	596	896	1,816	3,963
Payroll	24,283	72,179	123,653	240,521
Professional fees	411,098	247,922	986,394	952,620
General and administrative expenses	59,715	56,158	208,606	114,704
Loss on abandonment of lease	751,941		751,941	
Total Operating Expenses (Income)	1,247,633	377,155	2,072,410	1,311,808
LOSS FROM OPERATIONS	(775,794)	(129,536)	(1,381,778)	(606,361)
OTHER INCOME (EXPENSES):				
Other Income	1,520		1,520	
Interest income	913	894	4,397	3,271
Realized gains on investments	14,864		17,416	
Dividend Income	18,196		53,102	
Financing Expense	(600,000)		(650,000)	
Total other income (expenses)	(564,507)	894	(573,565)	3,271
Net loss before income taxes	(1,340,301)	(128,642)	(1,955,343)	(603,090)
NET LOSS BEFORE INCOME TAXES	(1,340,301)	(128,642)	(1,955,343)	(603,090)
Income tax benefit (provision)	147,968	46,103	453,865	154,998
NET LOSS	\$ (1,192,333)	\$ (82,539)	\$ (1,501,478)	\$ (448,092)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gains on investments, net of tax	50,416		156,787	
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (1,141,917)	\$ (82,539)	\$ (1,344,691)	\$ (448,092)
NET INCOME (LOSS) PER COMMON SHARE				
– BASIC	\$ (0.02)	Nil	\$ (0.02)	\$ (0.01)
– DILUTED	\$ (0.02)	Nil	\$ (0.02)	\$ (0.01)
Weighted average common shares outstanding:				
– basic	56,735,350	56,735,350	56,735,350	56,735,350
– diluted	56,735,350	56,735,350	56,735,350	56,735,350

See accompanying notes to the consolidated financial statements.

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

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,501,478)	\$ (448,092)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	1,816	3,963
Financing Expense	650,000	
Deferred income taxes on unrealized investment gains	(111,225)	
Loss on impairment of asset	751,941	
Realized gains on investments	17,416	
Change in operating assets and liabilities:		
Restricted cash asset		
Accounts receivable - trade	(836,654)	44,430
Related party receivable		71,642
Other receivables	246,409	(79,080)
Income tax refunds receivable	(301,827)	-
Prepays	(9,699)	(67,190)
Accounts payable	(52,773)	(90,502)
Royalty payable to related party	163,037	
Accrued liabilities	129,121	(5,383)
Income tax liability	-	(974,776)
NET CASH USED BY OPERATING ACTIVITIES	(853,916)	(1,544,988)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments, net	827,933	-
Proceeds from restricted cash asset		595,000
Cash paid for mineral assets		(472,022)
NET CASH PROVIDED BY INVESTING ACTIVITIES	827,933	122,978
Cash from Eagle credit facility	600,000	
Eagle Credit Facility financing fee	(50,000)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	550,000	-
CASH FLOW FROM FINANCING ACTIVITIES:		
NET CHANGE IN CASH and CASH EQUIVALENTS	524,017	(1,422,010)
Cash at beginning of period	228,952	6,334,092
Cash at end of period	\$ 752,969	\$ 4,912,082

See accompanying notes to the consolidated financial statements.

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 years ended December 31, 2015 and 2016 and notes thereto contained in the information as part of the Company's Annual Report on Form 10-K filed with the SEC on September 30, 2016 and June 20, 2017, respectively. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements as reported in the Forms 10-K have been omitted. In the opinion of management, the unaudited interim consolidated financial statements 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.

Certain amounts in the prior period financial statements have been reclassified to conform with the current period presentation. Reclassified amounts are immaterial to the financial statements.

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 prove oil and gas properties and amortized on an equivalent unit-of-production basis.

During the three and nine months ended September 30, 2016 and 2015, the Company recognized an impairment of its Big Willow lease of \$741,941.

Fair value of financial instruments

The Company follows the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and has adopted the FASB Accounting Standards Codification to measure the fair value of its financial instruments. The FASB Accounting Standards Codification establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, the FASB Accounting Standards Codification establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by the FASB Accounting Standards Codification are described below:

Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amounts of financial assets and liabilities, such as cash, approximate their fair values because of the short maturity of these instruments.

The Company has assets measured at fair value on a recurring basis (See Note 3). As of September 30, 2016, the Company also had assets that, under certain conditions, are subject to measurement at fair value on a non-recurring basis like those associated with oil and gas producing properties, and mineral rights and leases, and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if any of these assets are determined to be impaired. If recognition of these assets at their fair value becomes necessary, such measurements will be determined utilizing Level 3 inputs.

NOTE 2 RELATED PARTY TRANSACTIONS*Eagle Private Equity*

In May, 2016, the Company entered into a transaction with Eagle Private Equity whereby Eagle provided the Company with a \$1 million acquisition-line credit facility. The events of July 20, 2016 (see Note 7) triggered Eagle's right to put and convert loans, which Eagle exercised by obtaining 600,000 shares of the Company's Series A Preferred Stock, with voting rights equivalent to 60 million shares of common stock. The Eagle transaction documents executed in May 2016 also contemplated a renewal, at the Company's option, at the expiration of the term of original facility.

Following the expiration of the Eagle credit line in January 2017, the Company entered into negotiations for an extension/renewal of the credit line, a potential redemption of preferred Series A shares obtained by Eagle in connection with the attempted takeover of July 20, 2016, and a consulting agreement pertaining to debt and equity underwriting services.

In the first quarter 2017, the Company had certain negotiations relating to such extension/renewal of the Eagle facility and the redemption of the preferred Series A shares. However, the Company did not close on this proposed additional transaction with Eagle, but placed \$250,000 into a fully-refundable escrow to secure the rights to close the proposed extension/renewal, renegotiate key terms, or abandon the proposed extension/renewal. The \$250,000 placed into escrow represents, in part, potential fees associated with the renewal and execution of the stock redemption agreement. These funds will remain in escrow until such time as the parties elect to terminate such escrow. If the extension/renewal closes and the redemption is exercised, then all or a portion of the \$250,000 will be remitted to Eagle.

Royalty Payable to/Receivable from Related Party

In connection with the acquisition of the Holms Property, the Company granted to Holms Energy LLC (Holms Energy), which is owned by a former officer of the Company, a 5% overriding royalty payable on all revenue generated from the Holms Property for ten years from the date of the acquisition's closing. In 2015, the Company had determined that payments made to Holms Energy had exceeded royalties payable and recognized a royalty receivable of \$101,976 as of September 30, 2016 and December 31, 2015. During the nine month periods ended September 30, 2016 and 2015 royalty expense was \$240,717 and \$267,516, respectively. During the three months ended September 30, 2016 and 2015 royalty expense was \$151,589 and \$31,632, respectively.

NOTE 3 INVESTMENTS AVAILABLE FOR SALE

In December 2015, the Company invested cash into an investment portfolio. The portfolio is composed of available-for-sale investments consisting of equities, fixed income, and money market securities.

The fixed income portfolio includes two bonds totaling \$150,000 maturing in 2-5 years and one \$50,000 bond maturing 5-10 years. During the three and nine-month periods ended September 30, 2016, the Company had \$50,416 and \$156,787 (net of deferred income taxes) of unrealized net gain on its investments available-for-sale, respectively.

Deferred income taxes on unrealized gains on available for sale investments were \$35,766 and \$111,225 for the three and nine month periods ended September 30, 2016.

Money market funds, publicly traded equity securities, and other available-for-sale investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets. Corporate bonds were priced by independent pricing services and are classified within Level 2 of the fair value hierarchy. These independent pricing services use market approach methodologies that model information generated by transactions involving identical or comparable assets.

The table below set forth the Company's investments measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 26,792			\$ 26,792
Fixed income investments:				
Corporate obligations		\$ 208,342		208,342
Fixed income mutual funds	403,906			403,906
Publicly traded equities	\$ 1,910,905			1,910,905
Other investments:				
Real estate funds	354,985			354,985
Managed investment funds	523,509			523,509

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Total	\$	3,220,097	\$	208,342	\$	3,428,439
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NOTE 4 INCOME TAXES

During the three and nine months ended September 30, 2016, aggregate income tax expense totaled \$0. During the three and nine months ending September 30, 2016, the Company had an income tax benefit of \$147,968 and \$453,865, respectively, from the effect of net operating losses carried back to prior years.

NOTE 5 BIG WILLOW LEASE - IDAHO

On July 9, 2014, the Company's CEO entered into a two-year lease agreement on 28,000 gross acres (approximately 9,300 net mineral acres) in southwest Idaho. The agreement, referred to as the Big Willow lease, included a two year primary term with the option to extend for an additional term.

On October 15, 2014, the lease was amended to extend the bonus payment date to December 15, 2014. Along with the lease amendment, a \$250,000 bonus payment was paid. In April 2015, the Big Willow lease has been extended a second time to June 15, 2015, pending the completion of title work. This lease extension included a \$105,000 bonus payment. As a result of the lease amendments, the final bonus payment was increased by \$5,000 to compensate the leaseholder for additional costs incurred by the lease amendments.

The primary term of the lease expired on July 9, 2016. Although the lease included an option to extend the primary term, the Company chose not to exercise the option and incur the substantial exercise fee, \$675,000. The lease was deemed not to be feasible for several reasons. First, the natural gas market had declined significantly. Second, the area had no infrastructure. The infrastructure development costs were deemed to be beyond the Company's original investment parameters. Third, underlying terms of the lease imposed significant and onerous additional capital expenditures prior to development. Fourth, there were no purchase agreements in place for any natural gas produced. The project was not consistent with the Company's business model or capabilities. Therefore, the entire investment, \$751,941 has been written off as an abandonment of lease.

NOTE 6 EAGLE PRIVATE EQUITY

On May 6, 2016, the Company entered into a loan agreement with Eagle Private Equity LLC (Eagle). This loan agreement permitted the Company to draw up to One Million dollars (\$1,000,000) from a non-revolving credit facility provided by Eagle (the Facility). The Facility was initially open for 270 days but provided the Company with the option to extend the term by an additional 270 days. Loans drawn on the Facility would accrue interest at a rate based on LIBOR, and the Facility includes a 5% fee. Any loans on the Facility would be due on May 5, 2018. The Facility is unsecured and contains representation and warranties of the Company that are customary for transactions of this type. Upon certain triggering events, generally described as changes in control of the Company, the loan agreement permitted Eagle to put loans to the Company up to the balance of the Facility (the Put Option). The Put Option was evaluated as a feature embedded in the Facility as it does not meet the criteria to be considered a freestanding financial instrument. The Company determined that the embedded Put Option should not be bifurcated and separately accounted for as the economic characteristics and risks of the Put Option are clearly and closely related to those of the Facility.

Upon the occurrence of triggering events, as described above, loans under the Facility are convertible into shares of a newly-designated class of the Company's Series A Preferred Stock (the Conversion Option). The Conversion Option was evaluated as a feature embedded in the Facility as it does not meet the criteria to be considered a freestanding financial instrument. The Company determined that the embedded Conversion Option should not be bifurcated and separately accounted for as it does not provide net settlement. Although the Facility is convertible to Series A Preferred Stock, which is itself convertible to common stock on a 100-for-1 basis, the Facility must be converted in whole, and not in part, such that the number of shares underlying the Conversion Option could not be rapidly absorbed by the market. In addition, the Company evaluated the Conversion Option to assess whether it met the definition of a beneficial conversion feature (BCF). As the fair value of a share of Series A Preferred Stock exceeded the effective conversion price of \$1.00 per share at the issuance date, the Facility contained a BCF. As the Conversion Option could not be exercised unless and until a Triggering Event occurred, the BCF is a contingent BCF and the Company is not required to record the BCF until the contingency is resolved.

No amounts were borrowed by the Company through July 20, 2016. On July 20, 2016, a Triggering Event occurred at which time Eagle put a \$600,000 loan to the Company and immediately converted the loan into 600,000 shares of Series A Preferred Stock, at which time the Company recorded the BCF. As the intrinsic value of the BCF exceeded the proceeds drawn on the Facility, the Company recorded the BCF as a discount on the loan, up to the total principal amount of \$600,000. As the loan was immediately converted to Series A Preferred Stock, the \$600,000 discount was immediately amortized to interest expense and the carrying value of the loan was credited to the capital accounts to record the conversion.

Attempted Takeover: On July 20, 2016, Val Holms' half-brother, Allan Holms, attempted a takeover of the Company. Allan Holms and an armed security force attempted to remove the existing Board of Directors, remove current management, remove all counsel and suspend litigation, and take control of the Company's cash assets. Allan Holms purported to hold proxies from Val Holms and other shareholders representing a majority of the Company's common stock. The Company believes such proxies were improperly and illegally obtained. Law enforcement agencies intervened and ended the takeover. The Company has filed for and received temporary restraining orders in Montana and Nevada enjoining

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Allan Holms from taking such takeover actions, pending preliminary hearings. A hearing in Montana has taken place and is pending a decision. Hearings in Nevada are scheduled to be heard in late October 2016.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Office Lease Commitment

On June 1, 2016, BRI entered into a four-year office lease for executive offices at 825 Great Northern Boulevard, Expedition Block Suite 304, Helena, MT 59601. The base monthly rent is \$1,672 for the first year; \$1,822 second year; \$2,000 third year; \$1,950 fourth year; and \$2,000 fifth year. The lease agreement includes additional provisions for property taxes, condo fees, and utilities.

Litigation

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 former 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. After various court proceedings, the Washington Court of Appeals affirmed a trial court's ruling against the plaintiff and reversed the trial court's ruling against certain of the defendants. The Company believes the possibility of any future economic damages to BRI to be unlikely in this matter. When the Company filed the appeal with the Washington Court of appeals, the Company was required to post a bond of \$462,485. This amount is identified on the income statement as Settlement Expense in 2014. The bond was returned to the Company in February 2017 following a successful appeal.

In March 2014, the Company received notice of a complaint titled Manuel Graiwer and T.J. Jesky v. Val Holms, Herman Landeis, Karen Midtlyng, David Deffinbaugh, Bill Baber, W. Edward Nichols, and Wesley Paul, Case No. CV14 00544 (the Graiwer Case), filed in the Second Judicial District Court of the State of Nevada for Washoe County. Messrs. Graiwer and Jesky, the plaintiffs in the Graiwer Case, brought action on behalf of the Company derivatively, and the Company is also named as a nominal defendant. Messrs. 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. On September 27, 2016, the court ordered a Final Judgment dismissing all defendants except for Val M. Holms. The Company remains in the Graiwer Case as a nominal defendant. Management of the Company assesses the likelihood of the plaintiffs' chances to prevail as remote.

Consolidated with the Graiwer Case is a case that Val M. Holms filed in May 2016 against the Company. *Holms v. Bakken Resources, Inc., et al.*, Case No. CV 16-01086 (2d Jud. Dist. Nev., Washoe Cnty. 2016) (consolidated with the Graiwer Case). Shortly after consolidation into the Graiwer case, the Nevada court on July 14, 2016 issued findings that included a finding that Val M. Holms lacked a reasonable probability of success on his claims. Then on July 20, 2016, Allan Holms asserted proxies he obtained from his brother Val M. Holms and 22 other shareholders in the attempted hostile takeover described in the Company's July 26, 2016 Current Report on Form 8-K. Based on those actions, the Company obtained a July 22, 2016 TRO that was effectively converted into a preliminary injunction on November 1, 2016. The TRO found that Allan Holms' proxies and takeover attempt were likely invalid and ineffectual, and accordingly it preserves the Company's current composition and leadership without regard to Allan Holms' attempted takeover. The Company also submitted counter claims related to a contest for control of Bakken. Because Val M. Holms passed away in December 2016, the Estate of Val M. Holms now pursues the case on his behalf.

Also consolidated with the Graiwer Case is an action filed by the Company against Allan Holms and Manuel Graiwer. On February 21, 2017, the Company filed claims against Allan Holms, Manuel Graiwer and other yet unnamed defendants. *Bakken Resources, Inc v. Allan Holms et al.*, Case No. CV 17-00360 (2d Jud. Dist. Nev., Washoe Cnty. 2017) (the Allan Holms NV Case). The Allan Holms NV Case was brought following public disclosures made by Allan Holms in early February 2017 that he had acquired and/or purchased shares that were previously held by the Company's CEO, Val Holms. Allan Holms claimed that he acquired these shares prior to Val Holms' death in late December 2016. The Company's claims against Allan Holms include fraud and injunctive relief. The Company's claims against Manuel Graiwer involve Mr. Graiwer's improper receipt of approximately \$20,000 under the guise of false legal invoices. A temporary restraining order enjoining Allan Holms from claiming ownership of the shares in the name of Val Holms was granted on February 21, 2017, and the applicable parties to this portion of this action have stipulated to the extension of this TRO for the duration of this case.

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The Bakken Resources Inc. bylaws state that the Company will indemnify officers and directors for actual and reasonable amounts incurred while acting as an agent of the corporation. Val Holms' attorneys have submitted invoices to Bakken through September 30, 2016 for direct payment totaling more than \$394,930. These services include the Graiwer lawsuit and investigation related defense costs, as well as a litany of other services that don't pertain to any litigation. The Company has reviewed all submitted charges. The Company paid all billings that appear to be indemnifiable under the Company's bylaws and Val Holms' Leave of Absence Agreement. Consequently, as of September 30, 2016 \$277,720 in services billed have not been reimbursed nor accrued as legal fees expense. It is management's assessment that the Company's bylaws preclude payment of these invoices and the likelihood that the Company will have any material liability due as a result of these expenses is remote.

NOTE 8 SUBSEQUENT EVENTS

Roil Lawsuit Appeal: In August 2016, the Washington State Appellate Court ruled to affirm the lower court's ruling that Allan Holms and Roil Energy, LLC did not have any claims to the Company's assets and also ruled to overturn the lower court's ruling that found certain fraud and awarded Allan Holms certain attorney's fees. The Company had posted a \$462,000 appeal bond as part of the appeal process. The plaintiffs petitioned the Washington State Supreme Court for review which was denied in January 2017. As of March 31, 2016, the Company has not recorded the receivable, however, the appeal bond was returned to the Company in 1Q 2017.

Allan Holms filed a Form 5 and Schedule 13D on February 14, 2017, claiming to have acquired approximately 26 million shares of Common Stock from his half-brother, Val M. Holms, to which the Company responded in a Current Report on Form 8-K filed with the Commission on February 16, 2017. On February 21, 2017, the Company filed a verified complaint in Nevada against Allan Holms, Manuel Graiwer, and Doe Defendants 1-10 and Doe Entities I-X, seeking injunctive relief, declaratory relief, as well as claims for conversion and fraud. The claims stem from Defendants' improperly attempting to convey ownership of Val Holms' shares to Allan Holms as well as Graiwer's improper receipt of \$19,929.00 as a finders' fee for bringing investors to the company. On March 17, 2017 the case was removed to the United States District Court for the District of Nevada. The Company filed an emergency motion to extend the Nevada TRO in federal court on March 24, 2017. The federal court TRO was granted on March 28, 2017. On April 13, 2017 the parties filed a Stipulation and Order to Extend the Temporary Restraining Order and to Vacate the Hearing on Preliminary Injunction. The Stipulation and Order were approved on April 17, 2017. The Company has since prevailed on a motion for remand back to the Nevada state court.

During 2017 the Company made a claim in excess of \$3 million dollars against the Val Holms estate to recover costs associated with the internal investigation and tangential activities as well as to recover amounts due from excess override payments.

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, 2015 (the "2015 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 2015 Annual Report in the section entitled "Risk Factors."

Overview

Bakken Resources, Inc. is an independent energy company focused on holding non-working interests in oil and natural gas properties in North America. Bakken's primary focus since inception in 2010 has been the Williston Basin in western North Dakota. The Company owns mineral rights to approximately 7,200 gross acres and 1,600 net mineral acres of land located about eight miles southeast of Williston, North Dakota. The Company's land assets consist generally of net mineral acres spanning from the sub-surface to the base of the so-called "rock unit" in an area commonly referred to as the Bakken Formation.

A non-working interest generally means that the Company does not bear either the risk or the financial burden attributable to exploration and production of oil and natural gas wells. The Company partners with strong operators to explore and develop oil and natural gas from company leases. The business model offers shareholders an opportunity to participate in the dynamic oil and natural gas industry without the high risk often present with exploration and production companies. The Company voluntarily provides the following table in order to provide an overview of third-party production in which the Company holds royalty interests, noting however, that such disclosures are not currently required for non-producing oil and gas companies such as BKKK.

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Through September 30, 2016, the Company received royalty and overriding royalty payments on ninety six (96) producing oil wells, ninety-four (94) of which also produce natural gas. This production and proved reserves are as follows:

	Producing Wells	Average Daily Production	Proved Reserves	Percent Proved Developed	2016 Average Price
Crude Oil	96	14,535 Bbls	49,379,551 Bbls.	29%	41.07
Natural Gas	94	21,840 MCF	75,154,841 MCF	23%	2.55

Bbls = Barrels MCF = thousand cubic feet

Leases comprising the Company's mineral rights provide an average 17% lease interest in production-based revenue before accounting for overriding royalties held by third parties. We acquired our mineral rights from a related Nevada company named Holms Energy LLC. (Holms Energy), which retained a 5% overriding royalty that will remain until November 2020. Holms Energy's overriding royalty is set to expire in November of 2020. Therefore, we expect to hold our current average 12% royalty (viz. 17% less 5%) from the oil and gas produced until November 2020. Upon expiration of Holms Energy's overriding royalty, the 5% will revert back to the Company.

The Company's effective net royalty interest is derived from three figures: (1) stated lease percentage, (2) net mineral acres, and (3) spacing unit. The lease rate multiplied by the net mineral acres, divided by the spacing unit, yields the net royalty interest for each well. The average effective net royalty interest in 2016 was 0.70%. For illustrative purposes, for every \$100 in oil and gas production value, the Company receives \$0.70 in net royalty revenue.

We currently have leases with four contracted oil drilling operators (collectively, the Lessees) on various parcels of land on which we have mineral rights royalty interests: (1) Oasis Petroleum, (2) Continental Resources, Inc., (3) Statoil ASA, and (4) Samson Oil and Gas. We have no rights to influence our Lessees' activities, but if the Lessees do not accomplish the agreed upon drilling programs within the timeline, Lessees can lose their leases.

The predecessor to our Company was incorporated on June 6, 2008, under the laws of the state of Nevada, under the name Multisys Language Solutions, Inc. (MLS). Holms Energy contributed the primary assets that formed the basis of our current business operations. In connection with the closing of the transactions resulting in the contribution of the mineral rights held by Holms Energy in November 2010, Holms Energy received forty million (40,000,000) shares of common stock of the Company. Holms Energy retained a 5% overriding royalty on all gross revenue generated from the Company's gas and oil production royalty revenues.

Also in connection with the November 2010 transactions, the Company purchased approximately 800 net mineral acres from the Revocable Living Trust of Rocky G. Greenfield and Evenette G. Greenfield. The Company sold these 800 net mineral acres to a third party in February of 2014. The Company retained a two percent (2%) overriding royalty on the sale of these mineral rights.

The mineral rights received by the Company from the contribution by Holms Energy in connection with the November 2010 transactions included mineral rights from the surface to the base of the Bakken Formation. The mineral rights received by the Company from the Greenfields include all mineral rights from the surface to the basement.

After closing the Asset Purchase Agreement with Holms Energy on December 10, 2010, MLS changed its name to Bakken Resources, Inc. These transactions and the resulting change of control are described below under Acquisition of Assets.

Description of Oil Leases and Oil Production

With respect to drilling operations, pursuant to the North Dakota Oil and Gas Commission, long lateral deep horizontal multistage fracking wells in the Bakken Formation must be permitted in spacing unit of not less than 640 acres, up to 2,900 acres, with some exceptions. The spacing units have to be approved and permitted in advance of drilling by the North Dakota Oil and Gas Commission. The North Dakota Industrial Commission (NDIC) has approved multi-well permits for wells drilled in the Three Forks Formation along several of the defined benches typically associated with separate geologic benchmarks contained in the Three Forks Formation. Since approximately one-third of the Company's current net mineral acres include acreage in the Three Forks Formation, any increase in the drilling operations on the Company's net mineral acres which are permitted for Three Forks wells may result in an increased number of total wells from which the Company may derive royalty income.

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When operators drill a horizontal well in the area where the subject property is located, they typically drill down about 10,800 vertical feet and then utilize a down-hole directional drilling tool to flatten the hole to 90 degrees and drill horizontally to the oil and gas producing formation. Horizontal directional drilling provides more contact area to the oil bearing formation than a typical vertical well. This method of drilling together with fracking is referred to as an enhanced oil recovery method, and is the primary source of recovery from the Bakken.

The Company maintains a table on its website with information about wells in which it has mineral interests. That table is available at <http://www.bakkenresourcesinc.com/WellActivity/>.

The information provided in our website's table is categorized by well name, operator, field and pool, the NDIC identification number, and the well status and location description. Well status is defined by several categories, including: Producing, Confidential, Drilling, and Permitted Location to Drill. The table is updated as new information becomes available on the NDIC website at <https://www.dmr.nd.gov/oilgas/>. Included on the table are NDIC file numbers, which can be used when searching for information for each well listed on the BRI webpage. Individuals may subscribe to the NDIC website following the prompts on the homepage. A premium service subscription is also available for a fee.

Currently, most of the leases covering the Company's mineral acres contain what is commonly referred to as continuous drilling clauses. Generally, a continuous drilling clause requires an operator to maintain active drilling operations in order to hold or extend an oil and gas lease past its natural expiration date. All the Company's current leases have active drilling operations and are likely to have active operations in the foreseeable future.

Results of Operations

Key Trends.

Oil and Natural Gas Prices: Oil and natural gas unit prices have declined sharply since hitting highs in June 2014. Currently, these unit prices are 59% lower than their 2014 peak but are 4% higher than the third quarter 2015. While we believe prices will gradually increase, it may be some time before they return to levels greater than \$70 per barrel.

Oil and Natural Gas Production Levels: Crude oil production increased in the third quarter by 50%. Natural gas increased by 80% from 2015. The oil increase can be attributed to several wells that come on line in 2016.

Net Royalty Interest: The third quarter average net royalty interest (.70%) declined slightly from 2015 (.73%). As new wells begin producing, we expect the net royalty interest will continue to decline. New wells that begin producing in 2016 are expected to produce from the Three Forks Formation. The Company has significantly lower net royalty interest in the wells producing from the Three Forks Formation. The Company also anticipates some new producing wells will have lower net royalty interests.

Legal and Investigation Related Costs: Operating expenses have increased due to high legal fees which are attributed to ongoing litigation and the ongoing internal investigation. Investigation related expenses totaled \$1.628 million for the nine months ended September 30, 2016.

Collectively, these trends have created an operating loss for the first nine months of 2016.

Unit prices are expected to increase over the next two years driving revenue upward. Legal fees are expected to decrease significantly as the remaining lawsuits are resolved and the investigation costs end.

Revenue. We generated net revenue (gross revenue less production taxes and deductions) for the three months and nine ended September 30, 2016 totaling \$471,839 and \$690,632 compared to revenue of \$247,619 and \$705,446 for the three months ending September 30, 2015. The increase relative to 2015 reflects increasing oil and natural gas unit prices plus increased crude oil production. For the nine months ending September 30, 2016, oil production totaled 4,245,029 barrels versus 2,821,744 barrels during the first nine months of 2015. This represents a fifty percent decrease (50%). Natural gas totaled 5,448,167 MCF for the nine months ending September 30, 2016 versus 2,780,940 in 2015, a ninety-six percent (96%) increase.

While higher unit prices and higher crude oil production affected revenue, the Company's net royalty interest declined slightly in 2016, continuing a trend that began in 2014. The Company's net royalty interest is affected by the acreage attributed to each spacing unit as well as the producing formation. The increase in the number of wells producing from the Three Forks formation producing wells decreases our net royalty interest because the Company only accrues a two (2) percentage point retained royalty on these wells. Similarly, as the Company's well portfolio grows in areas where our acreage is lower, the average net royalty interest declines.

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Revenue is driven by product unit prices, volume, and net royalty interest. Although the Company sold thirty-three percent (33%) of its mineral rights in 2014 and production unit prices have declined more than forty-nine percent (59%) since 2014 highs, new well production is partially offsetting lower prices. As unit prices rebound, new production will continue to drive revenue and profitability. The State of North Dakota establishes spacing rules that dictate how many wells can be drilled and operated over a defined area (acres). Based on current spacing units, the Company has potential well capacity totaling 187. Therefore, the Company has potential capacity for an additional 90 wells. These potential additional wells offer little risk since they will be drilled into known reserves where existing wells are already producing successfully.

Typically, royalty checks from oil well operators can be delivered anytime between sixty (60) to one hundred and fifty (150) days following the month of initial production. Following oil well production, the operator will usually seek a division order title opinion from an attorney which would describe the ownership of the production. Following issuance of this opinion, the operator generally issues division orders which set forth payments to the royalty holders. North Dakota law requires payment of eighteen (18%) percent annual interest if royalty payments are not made within one hundred and fifty (150) days after oil or gas produced by the percent 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. To date, the Company has not received any payments of interest for royalty payments that have not been made within 150 days of oil or gas production.

Operating Expenses. Operating expenses increased by \$760,602 or 58% for the nine months ending September 30, 2016 compared to September 30, 2015, reflecting the write-off of the Big Willow lease abandonment on July 9, 2016. General and administrative expenses were \$59,715 for the three months ended September 30, 2016 compared to \$56,158 for the same period in 2015 reflecting higher insurance costs, the investment account management fee, and the Eagle Private Equity facility fee.

Operating loss for the nine months ended September 30, 2016 totaled \$(1,381,778) versus \$(606,362) in 2015. Investigation related expenses is the primary driver of the net operating losses.

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

Liquidity and Capital Resources

As of September 30, 2016, the Company had cash and investments of \$4,181,408 compared to \$4,234,729 as of December 31, 2015.

Operating costs consist mainly of salaries, office rent and professional fees and is consistent with general operating cash used in prior quarters. Our recent rate of use of cash in operations for the nine months ending September 30, 2016 has been approximately \$109,556 per month compared to \$105,847 per month during the nine months ended September 30, 2015. The increase reflects the one-time financing cost attributed to the preferred stock conversion discussed in Note 6 to the Financial Statements. 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 from royalty revenues related to sale of oil reserves of existing properties. No assurances, however, can be given that such royalties will continue to be received. As of September 30, 2016, 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 or debt financings.

We will continue to evaluate additional properties containing mineral rights that 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.

Our proposed operations may require additional capital from outside sources. However, we may not be successful in obtaining cash from new or existing agreements, 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 twelve (12) months

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity or debt financing and JV drilling partnerships. 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 base overhead, we are not dependent on new capital if we do not wish to develop our drilling programs or buy up working interests in potential wells during the next twelve (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 information that an additional twenty-four (24) wells are either permitted, drilling, 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, 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, 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, 2015.

Item 3. CONTROLS AND PROCEDURES

The Company retained a forensic accounting firm to review prior year's financial statements. The Company anticipates that the forensic accounting firm will complete its review by year end.

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As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision of and participation of our management, including our Chief Financial Officer ("CFO"), the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15 under the Exchange Act) as of September 30, 2016. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Company management, including our CFO as appropriate, to allow timely decisions regarding required disclosure. Based upon this evaluation, our CFO has concluded that our disclosure controls and procedures were effective as of September 30, 2016.

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, 2016, 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

Derivative Litigation

A March 2014 derivative action filed by two shareholders, Manuel Graiwer and TJ Jesky, against the Company, its leadership, and its counsel has been largely resolved with respect to the original claims, though a trial is scheduled for October 2017 in relation to other matters concerning Company control. *Graiwer v. Holms*, Case No. CV12 00544 (2d Jud. Dist. Nev., Washoe Cnty. 2014) (the "Graiwer Case"). The original claims revolve around interpretation of a 2010 private placement memorandum stating that the Company "shall pay" Holms Energy "a royalty for . . . (10) years . . . of 5% over-riding royalty on all revenue received by" the Company from "production of oil and gas on the Holms Property." The Company contracts with Lessees to receive a percentage of revenue generated by Lessees. Plaintiffs maintained that the Company should only pay Holms Energy 5% of the percentage it receives from Lessees and keep the rest, but the Company maintains that it should (and its practice has always been to) pay 5% of revenue generated by Lessees from the Holms Property and then keep the rest paid under contract by Lessees. A fuller explanation the Company's practice in this respect is presented in Item 2 of this Report under the heading "Description of Oil Leases and Oil Production." Briefly, however, under a hypothetical contract leasing the Holms Property to a Lessee that grants the Company a 15% landowner royalty, the Company's practice is to pay 5% to Holms Energy and to keep the remaining 10%. But Plaintiff's theory would have the Company pay Holms Energy only 0.75%, which is 5% of 17%.

On September 27, 2016, the court ordered a Final Judgment dismissing all defendants except for Val M. Holms, the Company's former CEO who also owned Holms Energy until his passing in December 2016.

Consolidated with the Graiwer Case is a case that Val M. Holms filed in May 2016 against the Company. *Holms v. Bakken Resources, Inc., et al.*, Case No. CV 16-01086 (2d Jud. Dist. Nev., Washoe Cnty. 2016) (consolidated with the Graiwer Case). Prior to consolidation, the court issued a May 24, 2016 temporary restraining order ("TRO") that enjoined the Company from drawing on the line of credit it opened with Eagle Private Equity in May 2016 and from taking any other action that could impact a contemplated stock sale between Manuel Graiwer and Val M. Holms. Shortly after consolidation into the Graiwer case, the court dissolved the TRO on July 14, 2016 upon findings that Val M. Holms lacked a reasonable probability of success on his claim, and that dissolving the order would not irreparably harm Val M. Holms because any harm could be addressed with money damages. Then on July 20, 2016, Allan Holms asserted proxies he obtained from his brother Val M. Holms and 22 other shareholders in the attempted hostile takeover described in the Company's July 26, 2016 Current Report on Form 8-K. Based on those actions, the Company obtained a July 22, 2016 TRO that was effectively converted into a preliminary injunction on November 1, 2016. The TRO found that Allan Holms' proxies and takeover attempt were likely invalid and ineffectual, and accordingly it preserves the Company's current composition and leadership without regard to Allan Holms' attempted takeover. The Company also submitted counter claims related to a contest for control of Bakken. Because Val M. Holms passed away in December 2016, the Estate of Val M. Holms now pursues the case on his behalf.

Edington Litigation

On November 14, 2015, the Company filed a complaint in the Southern District of New York in federal court against Joseph R. Edington and other related or affiliated parties. *Bakken Resources, Inc. v. Edington, et al.*, Case No. 15-CV-8686 (S.D.N.Y., filed Nov. 14, 2015) (the "Edington Case"). The Company alleges, among other things, that the defendants in the Edington Case have engaged in a systematic and concerted plan to defraud and harm the Company and its principals since 2010. The Company's claims include violations of the Civil Racketeering Influenced and Corrupt Organizations ("RICO") Act (18 U.S.C. § 1964(c)), violations of anti-fraud provisions under federal securities laws, including Rule 10b-5, fraud, tortious interference, civil conspiracy, conversion, and malicious prosecution. Val M. Holms was a co-plaintiff in the Edington Case but was later removed.

Val Holms Montana Litigation

On December 10, 2015, the Company filed a complaint against Val M. Holms in Montana. *Bakken v. Holms*, Case No. CDV-2015-954 (1st Jud. Dist. Mont. Lewis & Clark Cnty., filed Dec. 10, 2015) (the "Val Holms Case"). The Company alleged that Val M. Holms breached his leave of absence agreement by, among other things, improperly interfering with the Company's internal investigation and attempting to negotiate a settlement agreement in the Derivative Litigation without knowledge or authorization from the Company. This case was voluntarily dismissed, without prejudice, by the Company and, in its place, the Company elected to file counterclaims against Val Holms in the Nevada proceedings.

Mary Cunningham Litigation

The Company filed a 2015 claim and obtained a default judgment against a third party contractor. *Bakken Resources, Inc. v. Proland Services, LLC*, Case No. 6:15-CV-00065 (D. Mont., default Jan. 30, 2017). We paid for certain services related to verifying documentation underlying some of our assets, and our complaint alleged that the Company was never provided the services for which it paid. We plan to collect the full

\$176,000 awarded under our default judgment.

Allan Holms Washington Litigation

A 2012 claim that Allan Holms filed in Washington against the Company and others has been finally resolved in the Company's favor following an appeal. *Roil Energy v. Edington, et al.*, Case No. 12-2-01039-5 (Wash. Ct. App., Aug. 2, 2016, *appeal denied* (Wash. Sup. Ct., Jan 4, 2017)). The primary economic claim of litigation was Allan Holms' position that an oral agreement entitled him to a significant portion of the Company's mineral rights. He sued the Company and others under contract and tort theories. Even though the trial court ruled in part for Allan Holms and in part for the Company in December 2012, the Washington Court of Appeals reversed in August 2016 the trial court's findings that had favored Allan Holms, also declining to affirm Allan Holms' award of attorneys' fees. This appellate ruling in favor of the Company became final on January 4, 2017 when the Washington Supreme Court declined to review the case. As a result, the Allan Holms Litigation has been resolved fully in favor of the Company, which prompted a release of roughly \$460,000 to the Company that was being held by the trial court pending appeal.

Allan Holms Montana Litigation

Allan Holms filed a claim in late July 2016 in Montana, which was refiled in the context of a claim the Company brought against Allan Holms and others for the purpose of enjoining them from taking certain actions, *Bakken Resources, Inc. v. Holms*, DDV-2016-612, (Mont. 1st Jud. Dist., Lewis & Clark Cnty., filed Oct. 19, 2016) (the "612 Case"). Allan originally brought his Montana claims in a separate case, *Bakken Resources, Inc. v. Anderson*, DDV-2016-611 (Mont. 1st Jud. Dist., Lewis & Clark Cnty., dismissed Aug. 8, 2016) (the "611 Case"), on behalf of the Company through a law firm he hired to represent Bakken, but the 611 Case was dismissed with prejudice promptly after the Company's management informed that law firm that Allan lacked authority to file claims on Bakken's behalf. Allan Holms maintains that he shifted control of the Company, but no such finding has been made and preliminary injunctions maintain the current control of the Company as currently constituted. The judge in the remaining 612 Case issued a TRO enjoining the Company from holding a shareholder meeting and Eagle Private Equity from voting its shares in the context of an annual shareholder meeting, and the Company consented for this to convert into a temporary restraining order so that essentially identical issues pending in Nevada could be resolved there and avoid having to simultaneously litigate over control in two states. The Company's motion to stay the Montana litigation, as well as other motions, are currently pending before the court.

Allan Holms Nevada Litigation

On February 21, 2017, the Company filed claims against Allan Holms, Manuel Graiwer and other yet unnamed defendants. *Bakken Resources, Inc. v. Allan Holms et al.*, Case No. CV 17-00360 (2d Jud. Dist. Nev., Washoe Cnty. 2017) (the "Allan Holms NV Case"). The Allan Holms NV Case was brought following public disclosures made by Allan Holms in early February 2017 that he had acquired and/or purchased shares that were previously held by the Company's CEO, Val Holms. Allan Holms claimed that he acquired these shares prior to Val Holms' death in late December 2016. The Company's claims against Allan Holms include fraud and injunctive relief. The Company's claims against Manuel Graiwer involve Mr. Graiwer's improper receipt of approximately \$20,000 under the guise of false legal invoices. A temporary restraining order enjoining Allan Holms from claiming ownership of the shares in the name of Val Holms was granted on February 21, 2017, and the applicable parties to this portion of this action have stipulated to the extension of this TRO for the duration of this case. This matter has been consolidated with the other two Nevada actions (See heading under "Derivative Litigation" above).

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company entered into a transaction with Eagle Private Equity, LLC on May 6, 2016. In connection with this transaction with Eagle, Eagle agreed to provide financing up to \$1 million for identified transactions and/or acquisitions of mineral interests. The Eagle transaction described certain "Triggering Events" (which generally involve a change of control or attempted change of control of the Company), whereby Eagle was provided rights to put loans to the Company and/or convert loans into shares of the Company's Series A Preferred Stock. On July 20, 2016, a Triggering Event occurred at which time Eagle put a \$600,000 loan to the Company and immediately converted the loan into 600,000 shares of Series A Preferred Stock. Eagle may, at its discretion, elect to convert shares of Series A Preferred Stock into shares of the Company's common stock, but only to the extent that the Company has such shares of common stock available to issue.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

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

Exhibits	Description of Document	Incorporated Herein by Reference		
		Filed Herewith	Form	Exhibit Filing Date
<u>3.1</u>	<u>Articles of Incorporation</u>		<u>S-1</u>	<u>3.1</u> <u>02-26-09</u>
<u>3.2</u>	<u>Certificate of Designation for preferred shares</u>		<u>8-K</u>	<u>3.1</u> <u>05-10-16</u>
<u>3.3</u>	<u>Bylaws</u>		<u>8-K</u>	<u>3.1</u> <u>02-16-16</u>
<u>4.1</u>	<u>Non-Qualified Stock Option and Stock Appreciation Rights Plan adopted on June 10, 2008</u>		<u>S-1</u>	<u>10.3</u> <u>02-26-09</u>
<u>4.2</u>	<u>Form of Registration Rights Agreement 2010</u>		<u>10-K</u>	<u>4.3</u> <u>04-15-11</u>
<u>4.3</u>	<u>Form of Warrant 2010</u>		<u>10-K</u>	<u>4.4</u> <u>04-15-11</u>
<u>4.4</u>	<u>Form of Warrant 2011 (Convertible Bridge Loan)</u>		<u>8-K</u>	<u>10.1</u> <u>05-25-11</u>
<u>4.5</u>	<u>Form of Convertible Promissory Note 2011</u>		<u>8-K</u>	<u>10.2</u> <u>05-25-11</u>
<u>10.1</u>	<u>Asset Purchase Agreement with Holms Energy, LLC entered into on November 26, 2010</u>		<u>8-K</u>	<u>10.1</u> <u>10-21-10</u>
<u>10.2</u>	<u>Asset Purchase Agreement between Holms Energy, LLC and Evenette and Rocky Greenfield entered into on November 12, 2010</u>		<u>8-K</u>	<u>10.2</u> <u>10-21-10</u>
<u>10.3</u>	<u>Promissory note with Holms Energy, LLC for \$485,000 entered into on November 12, 2010</u>		<u>8-K</u>	<u>10.2</u> <u>11-18-10</u>
<u>10.4</u>	<u>Office Lease beginning December 1, 2010</u>		<u>10-K</u>	<u>10.6</u> <u>04-15-11</u>
<u>10.5</u>	<u>Form of Common Stock and Warrant Purchase Agreement 2010</u>		<u>10-K</u>	<u>10.7</u> <u>04-15-11</u>
<u>10.6</u>	<u>Employment Agreement by and between Bakken Resources, Inc. and David Deffinbaugh, dated effective as of January 1, 2012</u>		<u>10-K</u>	<u>10.10</u> <u>04-16-12</u>
<u>10.7</u>	<u>Employment Agreement by and between Bakken Resources, Inc. and Val M. Holms, dated March 12, 2013</u>		<u>8-K</u>	<u>10.1</u> <u>03-18-13</u>
<u>10.8</u>	<u>Employment Agreement by and between Bakken Resources, Inc. and Karen Midtlyng, dated March 12, 2013</u>		<u>8-K</u>	<u>10.2</u> <u>03-18-13</u>
<u>10.9</u>	<u>Form of Securities Purchase Agreement, entered into by Bakken Resources, Inc. on February 4, 2011</u>		<u>8-K</u>	<u>10.1</u> <u>02-09-11</u>
<u>10.10</u>	<u>Form of Securities Purchase Agreement, entered into by Bakken Resources, Inc. on March 18, 2011</u>		<u>8-K</u>	<u>10.1</u> <u>03-24-11</u>
<u>10.11</u>	<u>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</u>		<u>10-K</u>	<u>10.12</u> <u>04-15-11</u>
<u>10.12</u>	<u>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</u>		<u>10-K</u>	<u>10.13</u> <u>04-15-11</u>
<u>10.13</u>	<u>Amendment to Oil and Gas Lease by and between The Rocky Greenfield and Evenette Greenfield Revocable Living Trust, Rocky Greenfield and Evenette Greenfield, Trustees and Oasis Petroleum North America, LLC dated September 18, 2009</u>		<u>10-K</u>	<u>10.14</u> <u>04-15-11</u>

<u>10.14</u>	<u>Amendment and Ratification of Oil and Gas Lease by and between Evenette Greefield and Rocky Greenfield and the Armstrong Corporation, dated September 8, 2003</u>		<u>10-K</u>	<u>10.15</u>	<u>04-15-11</u>
<u>10.15</u>	<u>Extension, Amendment and Ratification of Oil and Gas Lease by and between Evenette Greenfield and The Armstrong Corporation dated November 24, 2004</u>		<u>10-K</u>	<u>10.16</u>	<u>04-15-11</u>
<u>10.16</u>	<u>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</u>		<u>10-K</u>	<u>10.17</u>	<u>04-15-11</u>
<u>10.17</u>	<u>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</u>		<u>10-K</u>	<u>10.18</u>	<u>04-15-11</u>
<u>10.18</u>	<u>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</u>		<u>10-K</u>	<u>10.19</u>	<u>04-15-11</u>
<u>10.19</u>	<u>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</u>		<u>10-K</u>	<u>10.20</u>	<u>04-15-11</u>
<u>10.20</u>	<u>Oil and Gas Lease by and between Val Holms and Mari Holms Revocable Living Trust, Val Holms and Mari Holms Trustees and The Armstrong Corporation dated September 9, 2003</u>		<u>10-K</u>	<u>10.21</u>	<u>04-15-11</u>
<u>10.21</u>	<u>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</u>		<u>10-K</u>	<u>10.22</u>	<u>04-15-11</u>
<u>10.22</u>	<u>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</u>		<u>10-K</u>	<u>10.23</u>	<u>04-15-11</u>
<u>10.23</u>	<u>Form of Convertible Bridge Loan Agreement 2011</u>		<u>8-K</u>	<u>10.1</u>	<u>05-25-11</u>
<u>10.24</u>	<u>Mineral Property Sale and Purchase Agreement Between John L. Reely, Lincoln Green, Inc. and Bakken Resources, Inc. dated effective as of September 21, 2011</u>		<u>8-K</u>	<u>10.1</u>	<u>09-27-11</u>
<u>10.25</u>	<u>Purchase and Sale Agreement dated February 4, 2014</u>		<u>8-K</u>	<u>10.1</u>	<u>02-10-14</u>
<u>10.26</u>	<u>Indemnification Agreement with Oasis Petroleum, Inc. dated January 23, 2014</u>		<u>10-Q</u>	<u>10.28</u>	<u>05-20-14</u>
<u>10.28</u>	<u>Mineral Property Lease Agreement with First Amendment Between Bakken Resources, Inc. and Big Willow, LLLP, effective as of July 2014</u>		<u>10-Q</u>	<u>99.1</u>	<u>11-19-14</u>
<u>10.29</u>	<u>Convertible Loan Credit Agreement dated May 6, 2016 Between Bakken Resources, Inc. and Eagle Private Equity, LLC (including Option to Convert or Put Loans)*</u>	<u>X</u>	<u>10-K</u>	<u>10.29</u>	<u>06-21-17</u>
<u>31.1</u>	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer</u>	<u>X</u>			
<u>31.2</u>	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer</u>	<u>X</u>			
<u>32</u>	<u>Section 1350 Certification of Principal Executive Officer and Principal Financial Officer</u>	<u>X</u>			
<u>99.1</u>	<u>Audit Committee Charter</u>	<u>X</u>			
EX-101.INS	XBRL Instance Document	X			
EX-101.SCH	XBRL Taxonomy Extension Schema	X			
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X			
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase	X			
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X			
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase	X			

* Exhibit 10.29 is subject to SEC's confidential treatment order dated September 1, 2017.

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.

Date: October 2, 2017 /s/ Dan Anderson

Dan Anderson, Chief Financial Officer
(Principal Financial and Accounting Officer)

21
