BAKKEN RESOURCES INC
Form 10-K
April 15, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-K**

[X] Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended **December 31, 2013.**

[ ] 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: **000-53632**

**BAKKEN RESOURCES, INC.**

(Exact name of small business issuer as specified in its charter)

**Nevada** **26-2973652**

(State or other jurisdiction of incorporation or organization) | (I.R.S. employer identification number)

**1425 Birch Ave. Suite A; Helena, MT 59601**

(Address of principal executive offices and zip code)

**(406) 442-9444**

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

**None**

Securities registered pursuant to Section 12(g) of the Act:

**Common Stock, $.001 par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES [ ] NO [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. YES [ ] NO [X]

Indicate by check mark whether the registrant (1) has 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 [ ]

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Indicate by check mark if the disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained in this herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of accelerated filer, larger accelerated filer and smaller reporting company in Rule 12b-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 aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, as of December 31, 2013 is $4,785,270.14 based on the average closing price of the Registrant s common stock as currently listed on the OTC Bulletin Board exchange. Shares of Common Stock held by each officer and director and by each person who is known by the registrant to own 10% or more of the outstanding Common Stock, if any, have been excluded in that such persons may be deemed to be affiliates of the registrant. The determination of affiliate status is not necessarily a conclusive determination for any other purpose. The shares of our company are currently listed on the OTC Bulletin Board exchange, symbol BKKN .

Number of shares outstanding of the issuer s common stock as of April 14, 2014 is 56,735,350 shares.

DOCUMENTS INCORPORATED BY REFERENCE

None.

**TABLE OF CONTENTS**


**PART I**

| | | |
|---|---|---|
| Item 1. | Business | 5 |
| Item 1A. | Risk Factors | 17 |
| Item 2. | Properties | 27 |
| Item 3. | Legal Proceedings | 32 |
| Item 4. | Mine Safety Disclosures | 32 |

**PART II**

| | | |
|---|---|---|
| Item 5. | Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 33 |
| Item 6. | Selected Financial Data | 34 |
| Item 7. | Management s Discussion and Analysis of Financial Condition and Results of Operations | 35 |

| | | | |
|---|---|---|---|
| | Item 7A. | Quantitative and Qualitative Disclosures About Market Risk | 41 |
| | Item 8. | Financial Statements and Supplementary Data | 42 |
| | Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 57 |
| | Item 9A. | Controls and Procedures | 57 |
| | Item 9B. | Other Information | 57 |
| **PART III** | | | |
| | Item 10. | Directors, Executive Officers and Corporate Governance | 58 |
| | Item 11. | Executive Compensation | 61 |
| | Item 12. | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 62 |
| | Item 13. | Certain Relationships and Related Transactions, and Director Independence | 62 |
| | Item 14. | Principal Accountant Fees and Services | 63 |
| **PART IV** | | | |
| | Item 15. | Exhibits and Financial Statement Schedules | 64 |
| **SIGNATURES** | | | |

-3-

## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the "safe harbor" protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf may make forward-looking statements to inform existing and potential security holders about our company. All statements other than statements of historical facts included in this report regarding our financial position, business strategy, plans and objectives of management for future operations, industry conditions, and indebtedness covenant compliance are forward-looking statements. When used in this report, forward-looking statements are generally accompanied by terms or phrases such as "estimate," "project," "predict," "believe," "expect," "anticipate," "target," "plan," "intend," "seek," "goal," "will," "should," "may" or other words and similar expressions that convey the uncertainty of future events or outcomes. Items contemplating or making assumptions about, actual or potential future sales, market size, collaborations, and trends or operating results also constitute such forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our company's control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following: general economic or industry conditions, nationally and/or in the communities in which our company conducts business, changes in the interest rate environment, legislation or regulatory requirements, conditions of the securities markets, our ability to raise capital, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting our company's operations, products, services and prices.

We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. You should consider carefully the statements in "Item 1A. Risk Factors" and other sections of this report, which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements. We do not undertake, and specifically disclaim, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We assume no obligation to update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, other than as may be required by applicable law or regulation. Readers are urged to carefully review and consider the various disclosures made by us in our reports filed with the United States Securities and Exchange Commission (the "SEC") which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operation and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.



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**BAKKEN RESOURCES, INC.**

**ANNUAL REPORT OF FORM 10-K**

**FOR FISCAL YEAR ENDED DECEMBER 31, 2013**

**PART I**

## ITEM 1. BUSINESS.

### Overview and Background

Bakken Resources, Inc. ( the Company , BRI , we , us , or our ) owns mineral rights to approximately 7,200 gro and 1,600 net mineral acres of land located about 8 miles southeast of Williston, North Dakota. The Company s net mineral acres consist generally of 1,600 net mineral acres deriving from the sub-surface to the base of what is commonly referred to as the rock unit commonly referred to as the Bakken formation. Approximately 800 of such 1,600 net mineral acres, consist also of mineral rights extending below the Bakken formation (which include, without limitation, the source rock commonly referred to as the Three Forks formation(s)).

These mineral rights currently bear to us an average of 12% royalty from the oil and gas produced on such lands until

November 2020, at which time a 5% overriding royalty currently held by Holms Energy, LLC, a private Nevada company ( Holms Energy ) will revert back to the Company.

According to the U.S. Geological Survey, the Bakken Formation, is a thin but widespread unit within the central and deeper portions of the Williston Basin in Montana, North Dakota, and the Canadian Provinces of Saskatchewan and Manitoba. The formation consists of three members: (1) lower shale member, (2) middle sandstone member, and (3) upper shale member. Each succeeding member is of greater geographic extent than the underlying member. Both the upper and lower shale members are organic-rich marine shale of fairly consistent lithology; they are the petroleum source rocks and part of the continuous reservoir for hydrocarbons produced from the Bakken Formation. The middle sandstone member varies in thickness, lithology, and petrophysical properties, and local development of matrix porosity enhances oil production in both continuous and conventional Bakken reservoirs. (*source: USGS Fact Sheet, April 2008*). Generally, the source rock commonly referred to as the Three Forks Formation is located geologically below the Bakken formation.

We currently have leases with four contracted oil drilling operators on various parcels of land constituting the 7,200 gross acres (and approximately 1,600 net mineral acres) on which we have mineral rights royalty interests. The contracted oil drilling companies with whom we are parties in interest pursuant to lease agreements (collectively, the Lessees ) that we acquired rights to in November 2010 include: Oasis Petroleum, Continental Resources, Inc., Statoil ASA and Zenergy Inc. We have no rights to influence the activities conducted by these Lessees of our mineral rights, but if the Lessees do not accomplish the agreed upon drilling programs within the timeline, they 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 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.

Subsequent to the closing of 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**

BRI currently derives its primary source of revenue from royalties generated from leasing its mineral acreage. BRI s mineral acreage consists of approximately 1,600 net mineral acres located primarily in McKenzie County, North Dakota. Such 1,600 net mineral acres are currently spread across 16 spacing units. Operators in the area where BRI s minerals are located have been approved for up to eight wells per spacing unit (typically 1,280 acres), but generally petition for permits prior to the commencement of drilling in a particular spacing unit. Assuming this would apply for all spacing units under which BRI has mineral acres, BRI would have a royalty interest in up to 112 wells. Note, however, that the royalties due to BRI under any particular well would vary based on the number of acres BRI has under any particular spacing unit where there is a producing well. An example of an application for permit to drill a horizontal well is shown below. This permit is for a well in the area where BRI s minerals are located (section 21, T152N R100W). Section 21 currently has 7 wells drilled. Order number 20946 of the North Dakota Industrial Commission shows that Oasis Petroleum, one of the operators in the BRI mineral acres area, has applied for up to 8 wells per 1280-acre spacing unit (1st page of order 20946 follows).

As of December 31, 2013, BRI received royalty income primarily from 30 Bakken formation producing wells, 11 Three Forks formation wells, and 3 Madison formation producing wells. During 2013, the dollar amount of such royalties received from the aggregate number of producing wells was approximately $4,000,000. BRI has interest under several other wells which have been drilled and likely producing, but for which royalties have yet to be received as of December 31, 2013. BRI is currently receiving royalty income from four wells which have been determined to be drilled in the Three Forks formation. The Company is currently assessing these wells for purposes of determining if such royalty income is owned by the Company as a result of the transactions giving rise to the current operations of the Company in November 2010.

With respect to drilling operations, pursuant to the North Dakota Oil and Gas Commission, long lateral deep horizontal multi-stage fracking wells in the Bakken Formation must be permitted in spacing unit of not less than 640 acres, up to 1,280 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. Recently, the 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 include permitted for Three Forks wells may result an increased number of total wells from which the Company may derive royalty income.

When a horizontal well is drilled in the area where the subject property is located, they typically drill down about 10,800 vertical feet and then utilize a downhole directional drilling tool to flatten the hole to 90 degrees and drill horizontally down 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 Formation. BRI does, however, have interests in certain wells not drilled into the Bakken Formation.

Well activity information for wells in which the company has mineral interest is compiled in a table which is available on the Company web site at http://www.bakkenresourcesinc.com/ under the BRI well activity heading.

The information provided in this table is categorized by well name, the operator, field and pool, the North Dakota Industrial Commission ( NDIC ) identifying number, and the well status and location description. Well status is defined

by several categories: 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.

The following spreadsheet shows the following: (i) the number of reported wells at the end of each quarter of 2013; (ii) the wells that paid royalties in each quarter of 2013; and (iii) the time lag between initial reporting of wells and the receipt of royalties.

Results above should be read in connection with the notes accompanying the financial statements shown under Part IV of this annual report.

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 the natural expiration date of the lease. A majority of the Company s current leases currently have active drilling operations and are likely to have active operations in the foreseeable future.



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**Acquisition of Assets**

On June 11, 2010, Multisys Language Solutions, Inc. or MLS, Multisys Acquisition, and Holms Energy entered into an Option to Purchase Assets Agreement, pursuant to which Holms Energy agreed to grant Multisys Acquisition an option to exercise an Asset Purchase Agreement to assign all right, title, and interest of specific Holms Energy owned oil and gas mineral rights to Multisys Acquisition. On November 26, 2010, MLS completed an initial closing of a private placement in the amount of $1,545,000 that issued 6,180,000 shares at $0.25 per share and 3,090,000 three-year warrants exercisable for 3,090,000 shares at $.50 per share, callable at $0.01 per share at any time after November 26, 2011, if the underlying shares are registered, and the common stock trades for 20 consecutive trading days at an average closing sales price of $1.00 or more. Such warrants are now expired.

We concurrently exercised the option with Holms Energy and executed an Asset Purchase Agreement by and between MLS, Holms Energy, and Multisys Acquisition in order to acquire certain interests in mineral rights and assets from Holms Energy. The option was exercised on November 26, 2010 and the Asset Purchase Agreement was entered into on November 26, 2010 by paying the consideration to Holms Energy detailed in the Asset Purchase Agreement. Under the Asset Purchase Agreement, Multisys Acquisition paid Holms Energy $100,000, issued Holms Energy 40,000,000 shares of restricted common stock, and granted to Holms Energy a 5% overriding royalty on all revenue generated from the Holms Property (defined herein) for ten years from the date of the acquisition closing. With the issuance of the 40,000,000 shares to the Holms Energy members, the Holms Energy members own a controlling interest in BRI. Holms Energy disbursed 40,000,000 shares to its members on a ratable ownership basis as a liquidating dividend to members.

The Asset Purchase Agreement related to the acquisition of: 1) certain Holms Energy mineral rights in oil and gas rights on approximately 7,200 gross acres and 1,600 net mineral acres of land located in McKenzie County, 8 miles

southeast of Williston, North Dakota (the Holms Property ); 2) potential production royalty income from wells to be drilled on the property whose oil and gas mineral rights are owned by Holms Energy; and 3) the transfer of all right, title and interest to an Option to Purchase the mineral rights from Rocky G. Greenfield and Evenette G. Greenfield entered into between Holms Energy and the Revocable Living Trust of Rocky G. Greenfield and Evenette G. Greenfield related to purchasing additional oil and gas mineral rights and production royalty income on the Holms Property for One Million Six Hundred Forty Nine Thousand ($1,649,000) Dollars (the Greenfield Option ) (altogether, the Asset Acquisition ). The Greenfield mineral rights were acquired by Multisys Acquisition through the Asset Purchase Agreement with Holms Energy on November 12, 2010. Holms Energy entered into a $485,000 one month non-interest bearing loan from BRI (the Greenfield Note ) to complete the initial payment of $400,000 for the purchase of the Greenfield mineral rights. The purchase price of the Greenfield mineral rights under the agreement with Holms Energy (which was assumed by the Company in connection with the completion of the November 2010 transactions) was an aggregate of $1,649,000 plus interest as follows: an initial payment of $400,000; installment payments generally in the amount of $30,000 per quarter plus interest at 5% per annum for 8 years and an original balloon payment in the amount of $289,000 (which is subject to reduction in the event the Company accelerates payments under the Greenfield Note). The scheduled installment payments of $30,000 per quarter are subject to the amount of 35% of net revenues received in connection with the purchased Greenfield mineral rights. Payments made in excess of the amounts originally scheduled are applied to the outstanding principal amount of the loan. The collateral for the Greenfield Note are the Greenfield mineral rights. Under the terms of the loan from BRI to Holms Energy, Holms Energy, in conjunction with the entry into the Asset Purchase Agreement on November 26, 2010, assigned the Greenfield mineral rights to Multisys Acquisition in exchange for forgiveness of $385,000 of the loan. The other $100,000 of the loan was to be applied to the Asset Purchase Agreement between BRI and Holms Energy, and on November 26, 2010, that $100,000 was applied to the Asset Purchase Agreement and the loan was forgiven. The Greenfield Note was fully repaid in August 2013.

In conjunction with the exercise of the option and execution of the Asset Purchase Agreement with Holms Energy, Multisys Acquisition acquired the rights to the Asset Purchase Agreement between Holms Energy and the Greenfields and therefore purchased the gas and oil production royalty rights of the Revocable Living Trust of Rocky G. Greenfield and Evenette G. Greenfield.

**Change of Control of Bakken Resources, Inc.**

After the closing of the Asset Purchase Agreement on November 26, 2010 which involved, in part, the issuance of 40 million (40,000,000) shares of BRI common stock to Holms Energy. Holms Energy subsequently declared a special liquidating dividend distribution of such 40 million shares to its members. Following such distribution, the members of Holms Energy beneficially then held in aggregate approximately 76.2% of the outstanding shares of common stock of Multisys Language Solutions after the closing of the Asset Purchase Agreement on November 26, 2010. After the closing of the transaction, based on an informal agreement in place, the current directors of MLS appointed the nominees designated by Holms Energy, LLC as members of the board of directors of MLS on December 1, 2010. Subsequently, the current officers and directors of MLS resigned their positions, clearing the way for the appointment of new executive officers by the new board of directors of MLS. Pursuant to the authorization from MLS stockholders for the amendment of the articles of incorporation of MLS at a special meeting of stockholders, MLS changed its corporate name from Multisys Language Solutions, Inc. to Bakken Resources, Inc. on December 10, 2010 to reflect its new business focus.

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**Business Strategy**

We plan to focus on evolving into a growth-orientated independent energy company engaged in the acquisition, exploration, exploitation, and development of oil and natural gas properties. We plan to initially focus our activities mainly 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. To date, we have collected approximately $6.6 million in revenues from royalties generated from our mineral rights.

Per our business plan and strategy, we have pursued relationships to gather information on future potential oil and gas drilling projects and explored and contemplated possible joint partnerships in other drilling programs. We previously announced our acquisition of mineral acreage in the Duck Lake region of Western Montana, in a potential oil play commonly referred to as the Alberta Bakken. We also announced our acquisition of a 17% working interest in an operating well located in Archer County, Texas. The Company remains in discussion with various groups for strategic partnerships and plans to announce the completion of such arrangements if and when they are consummated.

**Geology of the Bakken Formation and the Three Forks Formation**

The geological formation, as well as many other criteria, determines the production level of any commercial wells, which impact the potential future royalty revenue, if any. The following profile of the Williston Basin gives an idea as to the value of our mineral assets. Our leases are in a geographic area known as the Williston Basin, which is a large intracratonic sedimentary basin in eastern Montana, western North and South Dakota and southern Saskatchewan known for its rich deposits of petroleum and potash. The basin is a geologic structural basin but not a topographic depression; it is transected by the Missouri River. The oval-shaped depression extends approximately 475 miles (764 km) north-south and 300 miles (480 km) east-west. The map below shows the general location of the Bakken Formation and the Alberta Bakken (not intended to show or represent the location of any oil fields). (*Source:* *http://seekingalpha.com/article/284628-the-alberta-bakken-the-smaller-sibling-offers-compelling-prospects* ).

The smaller area shown in the northwest portion of Montana shows generally the location of mineral acreage BRI purchased in Fall 2011 (referred to as the Duck Lake Property ). Drilling has not begun on the Duck Lake Property.

-12-

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The Bakken formation has received considerable recognition for its oil production capabilities. Oil was discovered in this formation in 1951 but production was difficult to achieve at that time. Technological developments and improvements since then have given operators the capabilities in recent years to develop the formation. In April 2008, the United States Geological Service (USGS) released a report estimating the amount of oil recoverable with current technology ranged from 3.0 to 4.3 billion barrels. At the same time, the State of North Dakota also released a report estimating recoverable oil at 2.1 billion barrels. Other industry estimates place the total oil available, which includes oil that cannot be recovered with current technology, at 18 billion barrels. The USGS is currently further reassessing the amount of technically recoverable oil in the Bakken formation and such report is expected to be released in late 2014.

There are several formations below the subsurface of the Bakken formation known commonly as the Three Forks. Evaluative wells have already been drilled to these benches of the Three Forks. Operators have recently begun exploratory drilling into these benches. Several operators have announced plans to evaluate high density drilling possibilities to these benches. The graphic below shows a development pilot program Continental has announced as part of its Three Forks drilling program.

*(Source: Seeking Alpha (http://seekingalpha.com/article/1248431-bakken-the-downspacing-bounty-and-birth-of-array-fracking*

The drilling pattern in this graphic is known as array drilling. The offset pattern of drilling is expected to allow high density drilling for a spacing unit (1,280 acres). The goal is to increase the number of wells without impacting the number of barrels produced from each well.

BRI owns mineral acres in the Three Forks formation through its ownership of the former Greenfield mineral assets.

According to the North Dakota Industrial Commission, Oil and Gas Division, the Bakken Shale in the Williston Basin is over 11,000 ft. deep at the center of the formation and rises to 3,100 ft. on the edges of the basin. The Bakken Formation is composed of three distinct members. The first layer averages twenty three feet in depth and consists of blackish marine shale. The second member runs from 30 ft. to 80 ft. and composed of interbedded limestone, siltstone, sandstone and dolomite. The bottom member is a dark black marine shale that averages 10 ft. to 30 ft. in thickness. All three formations that make up the Bakken are rich in an organic material called Kerogen. When Kerogen is heated (thermogenic processes) or broken down by organic means (biogenic processes), natural gas and oil are created. The Bakken Formation is capped by a very thick limestone formation called the Lodgepole. It is because of this limestone cap that there is so much gas and oil trapped in the shale horizon. The Bakken Formation is what is considered a thermally mature deposit and the oil from the Bakken has a 41 specific gravity and is deemed to be commercially high grade crude oil.

**Horizontal Drilling**

Horizontal or directional drilling has revolutionized the way the oil and gas wells are being drilled in the Williston Basin. The reason that horizontal drilling is changing the oil and gas business is that a well drilled horizontally

through a formation that contains oil and gas should produce many more times that of a vertical well. A vertical well will only penetrate a limited area of the productive zone, whereas a well drilled horizontally may penetrate up to 10,000 of the zone. This also means that previously tight shale formations such as the Bakken formation can result in prolific production.

The Bakken formation has poor porosity which reduces the ability of the gas and oil to flow out of this horizon. Recently, horizontal drilling of lateral holes combined with hydraulic fracturing (commonly referred to as fracking ) has resulted in substantial production from thick formations that have poor porosity. It should be noted, however, that porosity and the permeability of the oil shale rock can vary widely and unpredictably over short distances, thus dry wells can be found next to prolific wells with little explanation geologically.

Fracking is a procedure whereby packers (plugs) are set every 250 to 300 and up to ten 2,000 horsepower hydraulic pumps deliver high pressure fluids that contain a high percentage of round ceramic beads and sand are utilized as proppants and keep the fissures and fractures open along the bedding-planes that are created by the high pressure fluids. The fissures and channels created by the high pressure fluid and held open by the ceramic beads that are left behind; provide a pathway to allow the gas and oil to flow into the drill hole.



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Two technologies are currently being used to enhance horizontal drilling: 1) log while drilling ( LWD ); and 2) drill string radar ( DST ). LWD uses long sensors which read gamma radiation given off by the formation, which provides real time information to the drillers and this information is gathered and assists drillers to drill in the optimum sections of the formation. DST provides information to the driller on the surface as to what direction, angle and depth the well is being drilled. The combination of the two technologies greatly assists keeping the drill bit in the optimum location within the Bakken formation.

Below is a diagram example of horizontal drilling.

**Governmental Regulations**

Our operations are not directly subject to various rules, regulations and limitations impacting the oil and natural gas exploration and production industry as whole, however, operators who operate on our properties may be impacted by such rules and regulations.

*Regulation of Oil and Natural Gas Production*. Oil and natural gas exploration, production and related operations, when developed, are subject to extensive rules and regulations promulgated by federal, state and local authorities and agencies. For example, the state of North Dakota and Montana requires permits for exploration drilling, operation of commercial wells, submission of several reports concerning operations of wells and imposes other requirements relating to the production of oil and natural gas. Such states may also have statutes and regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from wells, and the regulation of spacing, plugging and abandonment of such wells. Failure to comply with any such rules and regulations by our operators can result in substantial penalties, which in turn, may impact the amount of royalty revenue we derive from our leased properties. Although we believe that we are currently in substantial compliance with all applicable laws and regulations, to the extent they apply to us, because such rules and regulations are frequently amended or reinterpreted, we are unable to predict the future cost or impact of complying with such laws. Significant expenditures may be required to comply with governmental laws and regulations and may have a material adverse effect on our financial condition and results of operations.

**Environmental Matters**

The following environmental discussion may be applicable directly to our operators; however, we could be indirectly impacted, since environmental laws and regulations could significantly impact production of the wells on our properties. Our operators and properties are impacted by extensive and changing federal, state and local laws and regulations relating to environmental protection, including the generation, storage, handling, emission, transportation and discharge of materials into the environment, and relating to safety and health, as such regulations relate to our operators. The recent trend in environmental legislation and regulation generally is toward stricter standards, and this

trend will likely continue. These laws and regulations may:

§ require the acquisition of a permit or other authorization before construction or drilling commences and for certain other acti

§ limit or prohibit construction, drilling and other activities on certain lands lying within wilderness and other protected areas;

§ impose substantial liabilities for pollution resulting from its operations.

The permits required by our operators may be subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce their regulations, and violations are subject to fines or injunctions, or both. In the opinion of management, we are in substantial compliance with current applicable environmental laws and regulations, and have no material commitments for capital expenditures to comply with existing environmental requirements.



Nevertheless, changes in existing environmental laws and regulations or in interpretations thereof could have a significant impact on BRI, as well as the oil and natural gas industry in general.

The Comprehensive Environmental, Response, Compensation, and Liability Act ( CERCLA ) and comparable state statutes impose strict, joint and several liabilities on owners and operators of sites and on persons who disposed of or arranged for the disposal of hazardous substances found at such sites. It is not uncommon for the neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act ( RCRA ) and comparable state statutes govern the disposal of solid waste and hazardous waste and authorize the imposition of substantial fines and penalties for noncompliance. Although CERCLA excludes petroleum from its definition of hazardous substance, state laws affecting our operators may impose clean-up liability relating to petroleum and petroleum related products. In addition, although RCRA classifies certain oil field wastes as non-hazardous, such exploration and production wastes could be reclassified as hazardous wastes thereby making such wastes subject to more stringent handling and disposal requirements.

Our operations are also subject to the federal Clean Water Act and analogous state laws. The Clean Water Act and

similar state acts regulate other discharges of wastewater, oil, and other pollutants to surface water bodies, such as lakes, rivers, wetlands, and streams. Failure to obtain permits for such discharges could result in civil and criminal penalties, orders to cease such discharges, and costs to remediate and pay natural resources damages. Under the Clean Water Act, the EPA has adopted regulations concerning discharges of storm water runoff. This program requires covered facilities to obtain individual permits, or seek coverage under a general permit. Some of our properties may require permits for discharges of storm water runoff and our operators may apply for storm water discharge permit coverage and updating storm water discharge management practices at some of our facilities. These laws also require the preparation and implementation of Spill Prevention, Control, and Countermeasure Plans in connection with on-site storage of significant quantities of oil.

The federal Clean Air Act and comparable state laws regulate emissions of various air pollutants through air emissions permitting programs and the imposition of other requirements. In addition, the EPA has developed and continues to develop stringent regulations governing emissions of toxic air pollutants at specified sources. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the federal Clean Air Act and associated state laws and regulations. The operations provided by our operators, may be, in certain circumstances and locations, subject to permits and restrictions under these statutes for emissions of air pollutants.

The Endangered Species Act ( ESA ) seeks to ensure that activities do not jeopardize endangered or threatened animal, fish and plant species, nor destroy or modify the critical habitat of such species. Under ESA, exploration and production operations, as well as actions by federal agencies, may not significantly impair or jeopardize the species or its habitat. ESA provides for criminal penalties for willful violations of the Act. Other statutes that provide protection to animal and plant species and that may apply to our operations include, but are not necessarily limited to, the Fish and Wildlife Coordination Act, the Fishery Conservation and Management Act, the Migratory Bird Treaty Act and the National Historic Preservation Act. Although we believe that our operations will be in substantial compliance with such statutes, any change in these statutes or any reclassification of a species as endangered could subject BRI to significant expenses to modify our operations or could force BRI to discontinue certain operations altogether.

**Competition**

The oil and natural gas industry is intensely competitive, and we compete with numerous other oil and gas exploration and production companies who may also be seeking oil well operators for leasehold interests. Many of these companies have substantially greater resources than we have. Not only do they explore for and produce oil and natural gas, but many also carry on midstream and refining operations and market petroleum and other products on a regional, national or worldwide basis. The operations of other companies may be able to pay more for exploratory prospects and productive oil and natural gas properties. They may also have more resources to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit.

Our larger or integrated competitors may have the resources to be better able to absorb the burden of existing, and any changes to federal, state, and local laws and regulations more easily than we can, which would adversely affect our competitive position. Our ability to determine reserves and acquire additional properties in the future will be

dependent upon our ability and resources to evaluate and select suitable properties and to consummate transactions in this highly competitive environment. In addition, we may be at a disadvantage in producing oil and natural gas properties and bidding for exploratory prospects, because we have fewer financial and human resources than many other companies in our industry. Should a larger and better financed company decide to directly compete with us, and be successful in its efforts, our business could be adversely affected.

**Marketing and Customers**

The market for oil and natural gas that we will produce depends on factors beyond our control, including the extent of domestic production and imports of oil and natural gas, the proximity and capacity of natural gas pipelines and other



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transportation facilities, demand for oil and natural gas, the marketing of competitive fuels and the effects of state and federal regulation. The oil and gas industry also competes with other industries in supplying the energy and fuel requirements of industrial, commercial and individual consumers.

Our production royalties derived from oil and gas production from our properties are expected to be sold by the Lessees at prices tied to the spot oil markets. We derive certain royalty revenues from gas produced from wells drilled on our property, but currently this amount is small relative to the royalties we receive from oil production. We will be required to rely on the Lessees to market and sell any future gas production.

**Employees/Consultants**

We currently have two full-time employees and one part-time employee, respectively, Val Holms, President, Chief Executive Officer and Chairman; Karen Midtlyng, Secretary and Director and David Deffinbaugh, Chief Financial Officer and Director. All of our appointed executives have entered into written employments agreements. As drilling production activities continue to increase by our Lessees, and if additional revenue from production royalties develops as anticipated and continues to increase, we may hire additional technical, operational or administrative personnel as appropriate. We are using and will continue to use the services of independent consultants and contractors to perform various professional services. We believe that this use of third-party service providers may enhance our ability to

contain general and administrative expenses.

**Office Location**

Our offices are located at 1425 Birch Ave., Suite A, Helena, MT 59601. We also maintain a presence in New York City with a part-time office.

**Available Information Reports to Security Holders**

Our website address is www.bakkenresourcesinc.com. We make available on this website under Company SEC Filings free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 reports for officers and directors, and amendments to those reports as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the SEC. These filings are also available to the public at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Electronic filings with the SEC are also available on the SEC internet website at www.sec.gov.

In addition, BRI regularly monitors and maintains information relating to drilling activity on wells which it has a mineral interest. Such information can also be found on our website.

**ITEM 1A. RISK FACTORS**

*You should carefully consider the risks, uncertainties and other factors described below. The statements contained in or incorporated herein that are not historic facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements. Any of the factors could materially and adversely affect our business, financial condition, operating results and prospects and could negatively impact the market price of our common stock. Also, you should be aware that the risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, of which we are not yet aware, or that we currently consider to be immaterial may also impair our business operations.*

**Risks Associated with Our Business**

***We are an early stage company. We may never attain profitability.***

The business of acquiring, exploring for, developing and producing hydrocarbon reserves is inherently risky. We have a limited operating history for you to consider in evaluating our business and prospects. Our operations are therefore subject to all of the risks inherent in acquiring, exploring for, developing and producing hydrocarbon reserves, particularly in light of our limited experience in undertaking such activities. We may never overcome these obstacles.

Our business is speculative and dependent upon the implementation of our business plan and our ability to enter into agreements with third parties for the rights to exploit potential oil and natural gas reserves on terms that will be commercially viable for us.



***Our current business model relies exclusively on uncertain future royalty payments as a source of future revenue. We have no influence on the activities conducted by the Lessees with regards to the exploitation of mineral rights owned by the company.***

Our current business model relates to the potential generation of revenue from royalties tied to certain leases. These leases have been granted to experienced exploration and operating companies, both of whom have prior experience in drilling deep lateral multi-fracture horizontal wells. Until such time as wells are drilled on property where the Company owns mineral rights; any future income will be uncertain. Pursuant to the terms and conditions of the leases, we have no influence with regard to when the drilling will be undertaken, no decision making ability as to the location of any future wells and no influence as to the rate the wells are produced, if the operators are successful, of which there is no assurance. In the event the Lessees 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 may be unable to obtain additional capital or generate significant production royalty income that we will require to implement our business plan, which could restrict our ability to grow.***

We expect that our current capital and our other existing resources will be sufficient only to provide a limited amount of working capital, and the potential of production royalty revenues generated from our oil and gas mineral rights properties, of which there is no assurance, may not be sufficient to fund both our continuing operations and our

planned growth. We may require additional capital to continue to operate our business beyond the initial phase of development and to further expand our exploration and development programs to additional properties. We may be unable to obtain additional capital, and if we are able to secure additional capital, it may not be pursuant to terms deemed to be favorable to BRI and its shareholders.

Future acquisitions and future exploration, development, production and marketing activities, as well as our administrative requirements (such as salaries, insurance expenses and general overhead expenses, as well as legal compliance costs and accounting expenses) may require a substantial amount of additional capital and cash flow.

We may pursue sources of additional capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. We may not be successful in locating suitable financing transactions in the time period required or at all, and we may not obtain the capital we require by other means. If we do not succeed in raising additional capital, our resources may not be sufficient to fund our planned operations going forward beyond twelve months from now.

Any additional capital raised through the sale of equity may dilute the ownership percentage of our stockholders. This could also result in a decrease in the fair market value of our equity securities because our assets would be owned by a larger pool of outstanding equity. The terms of securities we issue in future capital transactions may be more favorable to our new investors, and may include preferences, superior voting rights and the issuance of other derivative securities, and issuances of incentive awards under equity employee incentive plans, which may have a further dilutive effect.

Our ability to obtain financing may be impaired by such factors as the capital markets (both generally and in the oil and gas industry in particular), our status as a new enterprise without a significant demonstrated operating history, production royalty revenue from our mineral rights property, currently our only oil and natural gas property and prices of oil and natural gas on the commodities markets (which will impact the amount of asset-based financing available to us) and/or the loss of key management. Further, if oil and/or natural gas prices on the commodities markets decline, our revenues from the anticipated royalties will decrease and such decreased revenues may increase our requirements for capital. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs (even to the extent that we reduce our operations), we may be required to cease our operations.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes, which may adversely impact our financial condition.

***Under the terms of the lease agreements with our contract oil drilling company leaseholders or Lessees, we have very little control over the number of wells that our Lessees choose to drill on our mineral rights properties and***

***how much production they generate***

Our current business model relates to the potential generation of revenue from royalties tied to certain leases on property covered in part by mineral rights owned by us. These leases have been granted to Lessees who are experienced exploration and operating oil companies, who have prior experience in drilling deep lateral multi-fracture horizontal wells. Pursuant to the terms and conditions of the leases, we have no influence with regard to when the drilling will be undertaken, no decision making ability as to the location of any future wells and no influence as to the rate the wells are produced, if the operators are successful, of which there is no assurance



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The success and timing of development activities by Lessees will depend on a number of factors that will largely be out of our control, including:

- the timing and amount of capital expenditures;
- their expertise and financial resources;
- approval of other participants in drilling wells;
- selection of technology; and
- the rate of production of reserves, if any.

***We have no previous operating history in the oil and gas industry, which may raise substantial doubt as to our ability to successfully develop profitable business operations.***

We have a limited operating history. Our business operations must be considered in light of the risks, expenses, and difficulties frequently encountered in establishing a business in the oil and natural gas industries. There is nothing at this time on which to base an assumption that our business operations will prove to be successful in the long-term. Our future operating results will depend on many factors, including:

- our ability to raise adequate working capital;

- success of the development and exploration program conducted by the oil company Lessees operating on our property;
- demand for natural gas and oil;
- the level of our competition;
- our ability to attract and maintain key management and employees; and
- the ability of the of the oil company Lessees to efficiently explore, develop and produce sufficient quantities of marketable natural gas or oil in a highly competitive and speculative environment while maintaining quality and controlling costs.

To achieve profitable operations in the future, we are primarily dependent upon the oil company Lessees to successfully execute on the factors stated above, along with continuing to develop strategies and relationships to enhance our revenue by financially participating and investing in various drilling programs with third parties. Despite their best efforts, our Lessees may not be successful in their exploration or development efforts or obtain required regulatory approvals on the property where BRI is entitled to a production royalty. There is a possibility that some, or most, of the wells to be drilled on our mineral rights properties may never produce natural gas or oil.

***We are highly dependent on our current Chief Executive Officer.***

Val M. Holms is our Chief Executive Officer, President, and a director. The loss of Mr. Holms, upon whose knowledge, leadership, and technical expertise we heavily rely, would harm our ability to execute our business plan. Our success will depend upon the future contributions of Mr. Holms, whose knowledge, leadership, and technical expertise would be difficult to replace. If we were to lose his services, we may be forced to cease operations until such time as we could hire a suitable replacement for him.

***Our management team does not have extensive experience in public company matters, which could impair our ability to comply with legal and regulatory requirements.***

Our management team has had limited public company management experience or responsibilities, which could impair our ability to comply with legal and regulatory requirements such as the Sarbanes-Oxley Act of 2002 and other federal securities laws applicable to reporting companies, including filing required reports and other information required on a timely basis. It may be expensive to implement programs and policies in an effective and timely manner that adequately respond to increased legal, regulatory compliance and reporting requirements imposed by such laws and regulations, and we may not have the resources to do so. Our failure to comply with such laws and regulations could lead to the imposition of fines and penalties and further result in the deterioration of our business and decreased value of our stock.

***If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.***

Internal control over financial reporting is a process designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be harmed. We cannot be certain that our efforts to maintain our internal controls will be successful, that we will be able to



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maintain adequate controls over our financial processes and reporting in the future or that we will be able to continue to comply with our obligations under Section 404 of the Sarbanes-Oxley Act of 2002. Any failure to maintain effective internal controls, or difficulties encountered in implementing or improving our internal controls, could harm our operating results or cause us to fail to meet certain reporting obligations.

***Our lack of diversification will increase the risk of an investment in BRI, and our financial condition and results of operations may deteriorate if we fail to diversify*.**

Our business focus predominately is on the oil and gas industry on our oil and gas mineral rights property, located in McKenzie County, North Dakota. Larger companies have the ability to manage their risk by diversification. However, we currently lack diversification, in terms of both the nature and geographic scope of our business. As a result, we will likely be impacted more acutely by factors affecting our industry or the regions in which we operate than we would if our business were more diversified, enhancing our risk profile. If we cannot diversify or expand our operations, our financial condition and results of operations could deteriorate. We have been solely dependent on the expertise of our Lessees as the operator of our property.

***Uncertain future royalty payment and limited influence on future drilling and exploration.***

Our current business model relates to the potential generation of revenue from royalties tied to certain leases owned by us. These leases have been granted to experienced exploration and operating companies, both of whom have prior

experience in drilling deep lateral multi-fracture horizontal wells. Pursuant to the terms and conditions of the leases, we have no influence with regard to when the drilling will be undertaken, no decision making ability as to the location of any future wells and no influence as to the rate the wells are produced, there are no assurances as to the success of the operators.

***Strategic relationships upon which we may rely on are subject to change, which may diminish our ability to conduct our operations.***

Our ability to successfully acquire additional mineral rights properties, to participate in drilling opportunities, and to identify and enter into commercial arrangements with other third party companies will depend on developing and maintaining close working relationships with industry participants and on our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. These realities are subject to change and may impair our ability to grow.

To continue to develop our business, we will endeavor to use the business relationships of our management to identify, screen, and enter into strategic relationships, which may take the form of joint ventures with other private parties and contractual arrangements with other operating oil and gas exploration companies. We may not be able to establish these strategic relationships, or if established, we may not be able to maintain them. Even if we are able to engage in joint venture and enter into strategic investment relationships with existing operators, they may not be pursuant to terms and conditions that are favorable to us. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations.

***Our acquisition strategy will subject us to certain risks associated with the inherent uncertainty in evaluating properties for which we have limited information.***

Our decision to acquire a property will depend in part on the evaluation of data obtained from production reports and engineering studies, geophysical and geological analyses and seismic and other information, the results of which are often inconclusive and subject to various interpretations. Also, our reviews of acquired properties are inherently incomplete because it generally is not feasible to perform an in-depth review of the individual properties involved in each acquisition. Even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit us to become sufficiently familiar with the properties to assess fully their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken.

Any acquisition involves other potential risks, including, among other things:

- the validity of our assumptions about reserves, future production, revenues and costs;
- a decrease in our liquidity by using a significant portion of our cash from operations or borrowing capacity to finance acquisitions;
- a significant increase in our interest expense or financial leverage if we incur additional debt to finance acquisitions;



- the assumption of unknown liabilities, losses or costs for which we are not indemnified or for which our indemnity is inadequate;
- an inability to hire, train or retain qualified personnel to manage and operate our growing business and assets; and
- an increase in our costs or a decrease in our revenues associated with any potential royalty owner or landowner claims or disputes.

***Competition in obtaining rights to explore and develop oil and gas reserves and for our Lessee to market any future production may impair our business.***

The oil and gas industry is highly competitive. This competition is increasingly intense as prices of oil and natural gas on the commodities markets have increased in recent years. Additionally, other companies engaged in our line of business may compete with us from time to time in obtaining capital from investors. Competitors include larger companies which, in particular, may have access to greater resources, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests. If we are unable to compete effectively or adequately respond to competitive pressures, this inability may materially adversely affect our results of operation and financial condition.

***Seasonal weather conditions adversely affect operators ability to conduct drilling activities in the areas where our properties are located.***

Seasonal weather conditions can limit drilling and producing activities and other operations in our operating areas and as a result, a majority of the drilling on our properties is generally performed during the summer and fall months. These seasonal constraints can pose challenges for meeting well drilling objectives and increase competition for equipment, supplies and personnel during the summer and fall months, which could lead to shortages and increase

costs or delay operations. Additionally, many municipalities impose weight restrictions on the paved roads that lead to jobsites due to the muddy conditions caused by spring thaws. This could limit access to jobsites and operators ability to service wells in these areas.

**Risks Relating to the Ownership of Bakken Resources, Inc. Common Stock**

***Risks relating to low priced stocks will likely apply to our common stock.***

Although our common stock is approved for trading on the OTC Bulletin Board, there has only been little, if any, trading activity in the stock. Accordingly, there is no history on which to estimate the future trading price range of the common stock. If the common stock trades below $5.00 per share, trading in the common stock will be subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act ), which require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a penny stock (generally, any non-FINRA equity security that has a market price share of less than $5.00 per share, subject to certain exceptions). Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors (generally defined as an investor with a net worth in excess of $1,000,000 or annual income exceeding $200,000 individually or $300,000 together with a spouse). For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser s written consent to the transaction prior to the sale. The broker-dealer also must disclose the commissions payable to the broker-dealer, current bid and offer quotations for the penny stock and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer s presumed control over the market. Such information must be provided to the customer orally or in writing before or with the written confirmation of trade sent to the customer. Monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. The additional burdens imposed upon broker-dealers by such requirements could discourage broker-dealers from effecting transactions in the common stock which could severely limit the market liquidity of the common stock and the ability of holders of the common stock to sell it.

***Limitations on the liability of our directors and officers under our Articles of Incorporation and our Bylaws may result in us indemnifying such officers and directors.***

Our Articles of Incorporation includes provisions to eliminate, to the fullest extent permitted by Nevada General Corporation Law as in effect from time to time, the personal liability of directors of BRI for monetary damages arising from a breach of their fiduciary duties as directors. The Articles of Incorporation also includes provisions to the effect that we shall, to the maximum extent permitted from time to time under the laws of the State of Nevada, indemnify any director or officer. In addition, our bylaws require us to indemnify, to the fullest extent permitted by law, any director, officer, employee or agent of BRI for acts which such person reasonably believes are not in violation of our corporate purposes as set forth in the Articles of Incorporation.

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***Potential future issuances of additional common and preferred stock would dilute our current stockholders.***

We are authorized to issue up to 100,000,000 shares of common stock. To the extent of such authorization, the board of directors of BRI will have the ability, without seeking stockholder approval, to issue additional shares of common stock in the future for such consideration as the board of directors may consider sufficient. The issuance of additional common stock in the future will reduce the proportionate ownership and voting power of the common stock offered hereby. We are also authorized to issue up to 10,000,000 shares of preferred stock, the rights and preferences of which may be designated in series by the board of directors. To the extent of such authorization, such designations may be made without stockholder approval. The designation and issuance of series of preferred stock in the future would create additional securities which would have dividend and liquidation preferences over the currently outstanding common stock. In addition, the ability to issue any future class or series of preferred stock could impede a non-negotiated change in control and thereby prevent stockholders from obtaining a premium for their common stock.

***There is no assurance that a liquid public market for our common stock will develop.***

Although our shares of common stock are currently eligible for quotation on the OTC Bulletin Board and the Pink Sheets, there has been no significant trading in our common stock. There has been no long term established public trading market for our common stock, and there can be no assurance that a regular and established market will be developed and maintained for the securities in the future. There can also be no assurance as to the depth or liquidity of any market for the common stock or the prices at which holders may be able to sell the shares.

***The market price of our common stock is, and is likely to continue to be, highly volatile and subject to wide fluctuations***

In the event that a public market for our common stock is created, market prices for the common stock will be influenced by many factors, some of which are beyond our control, including:

- dilution caused by our issuance of additional shares of common stock and other forms of equity securities, which we expect to make in connection with future capital financings to fund our operations and growth,

to attract and retain valuable personnel and in connection with future strategic partnerships with other companies;

announcements of new acquisitions, reserve discoveries or other business initiatives by our competitors;

our ability to take advantage of new acquisitions, reserve discoveries or other business initiatives;

fluctuations in revenue from our oil and gas business as new reserves come to market;

changes in the market for oil and natural gas commodities and/or in the capital markets generally;

changes in the demand for oil and natural gas, including changes resulting from the introduction or expansion of alternative fuels;

quarterly variations in our revenues and operating expenses;

changes in the valuation of similarly situated companies, both in our industry and in other industries;

changes in analysts' estimates affecting our company, our competitors and/or our industry;

changes in the accounting methods used in or otherwise affecting our industry;

additions and departures of key personnel;

announcements of technological innovations or new products available to the oil and gas industry;

announcements by relevant governments pertaining to incentives for alternative energy development programs;

fluctuations in interest rates and the availability of capital in the capital markets; and

significant sales of our common stock, including sales by selling stockholders following the registration of shares under a prospectus.

These and other factors are largely beyond our control, and the impact of these risks, singly or in the aggregate, may result in material adverse changes to the market price of our common stock and/or our results of operations and financial condition.

***Our operating results may fluctuate significantly, and these fluctuations may cause the price of our common stock to decline.***

Our operating results will likely vary in the future primarily as the result of fluctuations in our production royalty, assuming commercial oil and gas is discovered on our mineral rights property. Our revenues and operating expenses, expenses that we incur regarding investments in drilling programs with other partners, the prices of oil and natural gas in the commodities markets and other factors, may all cause significant fluctuations in our operating results. If our results of operations do not meet the expectations of current or potential investors, the price of our common stock may decline.

***We do not expect to pay dividends in the foreseeable future.***

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they

sell their



common stock, and stockholders may be unable to sell their shares on favorable terms or at all. Investors cannot be assured of a positive return on investment or that they will not lose the entire amount of their investment in our common stock and warrants.

**Risks Related To the Oil and Gas Industry**

***Oil and natural gas prices are very volatile. A protracted period of oil and natural gas prices below the prices currently in effect may adversely affect our business, financial condition, results of operations or cash flows.***

The oil and gas markets are very volatile, and we cannot predict future oil and natural gas prices. The price our oil company Lessees receive for oil and natural gas production on our mineral rights property heavily influences our royalty revenue, profitability, access to capital and future rate of growth. The prices our Lessees receive for their production and the levels of their production depend on numerous factors beyond our control. These factors include, but are not limited to, the following:

- The domestic and foreign supply of oil and nature gas;
- The current level of prices and expectations about future prices of oil and natural gas;
- The level of global oil and natural gas exploration and production;
- The cost of exploring for, developing, producing and delivering oil and natural gas;
- The price of foreign oil and natural gas imports;
- Political and economic conditions in oil producing regions, including the Middle East, Africa, South America and Russia;
- The ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- Speculative trading in oil and natural gas derivative contracts;
- The level of consumer product demand;
- Weather conditions and other natural disasters;

Risks associated with operating drilling rigs;

Technological advances affecting energy consumption;

Domestic and foreign governmental regulations and taxes;

The continued threat of terrorism and the impact of military and other action, including U.S. military operations in the Middle East;

The availability, proximity and capacity of oil and natural gas transportation, processing, storage and refining facilities;

The price and availability of alternative fuels; and

Overall domestic and global economic conditions.

Furthermore, the recent worldwide financial and credit crisis has reduced the availability of liquidity and credit to fund the continuation and expansion of industrial business operations worldwide. The shortage of liquidity and credit combined with recent substantial losses in worldwide equity markets has led to a worldwide economic recession. The slowdown in economic activity caused by such recession has reduced worldwide demand for energy and resulted in lower oil and natural gas prices.

Lower oil and natural gas prices will decrease the revenues of our Lessees, but also may reduce the amount of oil and natural gas that the Lessees can produce economically and therefore potentially lower our anticipated production royalty income. A substantial or extended decline in oil or natural gas prices may result in impairments of our proved oil and gas property, if it reaches production, of which there is no assurance and may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures. To the extent commodity prices received from production are insufficient to fund planned capital expenditures, we will be required to reduce spending or borrow any such shortfall. Lower oil and natural gas prices may also reduce BRI s ability to establish a borrowing base under a credit agreement, which is determined at the discretion of the lenders based on the collateral value of any proved reserves.

***Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.***

Initially, our future success will depend on the success of our development, exploitation, production, and exploration activities conducted by our Lessees as our operators on our mineral rights property. Oil and natural gas exploration and production activities are subject to numerous risks beyond our control; including the risk that drilling will not result in commercially viable oil or natural gas production. Our decisions to participate in drilling projects, purchase mineral rights, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. The cost of drilling, completing, and operating wells is often uncertain before drilling

commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Furthermore, many factors may curtail, delay or cancel drilling, including the following:

- delays imposed by or resulting from compliance with regulatory requirements;
- pressure or irregularities in geological formations;
- shortages of or delays in obtaining qualified personnel or equipment, including drilling rigs and $CO_2$;
- equipment failures or accidents;
- adverse weather conditions, such as freezing temperatures, hurricanes and storms;
- unexpected operational events, including accidents;
- reductions in oil and natural gas prices;
- proximity to and capacity of transportation facilities;
- title problems; and
- limitations in the market for oil and natural gas.

***Exploration for oil and gas is risky and may not be commercially successful, and the advanced technologies to be used by our oil company Lessees cannot eliminate exploration risk, which could impair our ability to generate revenues from our production royalty income.***

Our future success will depend on the success of exploratory drilling conducted by the Lessees on our mineral rights property. Oil and gas exploration involves a high degree of risk. These risks are more acute in the early stages of exploration. Our ability to produce revenue and our resulting financial performance are significantly affected by the prices we receive for oil and natural gas produced from wells on our acreage, if any. Especially in recent years, the prices at which oil and natural gas trade in the open market have experienced significant volatility, and will likely continue to fluctuate in the foreseeable future due to a variety of influences including, but not limited to, the following:

- domestic and foreign demand for oil and natural gas by both refineries and end users;
- the introduction of alternative forms of fuel to replace or compete with oil and natural gas;
- domestic and foreign reserves and supply of oil and natural gas;
- competitive measures implemented by our competitors and domestic and foreign governmental bodies;
- political climates in nations that traditionally produce and export significant quantities of oil and natural gas (including military and other conflicts in the Middle East and surrounding geographic region) and regulations and tariffs imposed by exporting and importing nations;

weather conditions; and

domestic and foreign economic volatility and stability.

Expenditures on exploration on our mineral rights property may not result in new discoveries of oil or natural gas in commercially viable quantities. It is difficult to project the costs of implementing exploratory horizontal drilling programs on our acreage due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions, such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Even when used and properly interpreted, three-dimensional (3-D) seismic data and visualization techniques only assist geoscientists in identifying subsurface structures and hydrocarbon indicators. They do not allow the interpreter to know conclusively if hydrocarbons are present or economically producible. In addition, the use of three-dimensional (3-D) seismic data becomes less reliable when used at increasing depths. Our Lessees could incur losses as a result of expenditures on unsuccessful wells on our acreage. If exploration costs exceed estimates, or if exploration efforts do not produce results which meet expectations of our Lessees, exploration efforts may not be commercially successful, which could adversely impact our Lessees ability to generate revenues from operations on our acreage.

***Estimates of proved oil and natural gas reserves are uncertain and any material inaccuracies in these reserve estimates will materially affect the quantities and the value of our reserves.***

The process of estimating oil and natural gas reserves is complex. This process requires significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for such reservoir. Therefore, these estimates are inherently imprecise. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will vary from those estimated. Any significant variance could materially affect the estimated quantities and the value of our reserves.

***Our oil company Lessees may not be able to develop oil and gas reserves on an economically viable basis on our mineral rights property.***

If our oil company lessees succeed in discovering oil and/or natural gas reserves, we cannot be assured that these reserves will be capable of long-term sustainable production levels or in sufficient quantities to be commercially viable. On a

-24-

long-term basis, our viability depends on our Lessees ability to find or acquire, develop and commercially produce additional oil and natural gas reserves on our acreage. Our future revenue will depend not only on the Lessees ability to develop our acreage, but also on our ability to identify and acquire additional suitable producing properties or prospects, to find markets for the oil and natural gas if we can develop a prospect and to effectively distribute any production into our markets.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from holes that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion, and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-downs of connected wells resulting from extreme weather conditions, problems in storage and distribution and adverse geological and mechanical conditions. While our Lessees will endeavor to effectively manage these conditions, they cannot be assured of doing so optimally, and they will not be able to eliminate them completely in any case. Therefore, these conditions could diminish our royalty revenue and cash flow levels and result in the impairment of our oil and natural gas interests.

***Environmental regulations may adversely affect our business.***

All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner we expect may result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas, or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge.

The application of environmental laws to our business may cause us to curtail our production or increase the costs of our production, development or exploration activities.

***Federal or state hydraulic fracturing legislation could increase our Lessees costs or restrict their access to oil and***

***natural gas reserves.***

Hydraulic fracturing is an important and common practice that is used to stimulate production of natural gas and/or oil from dense subsurface rock formations. The process involves the injection of water, sand and chemicals under pressure into the targeted subsurface formations to fracture the surrounding rock and stimulate production. Hydraulic fracturing using fluids other than diesel is currently exempt from regulation under the federal Safe Drinking Water Act (the SDWA ), but opponents of hydraulic fracturing have called for further study of the technique s environmental effects and, in some cases, a moratorium on the use of the technique. Several proposals have been submitted to Congress that, if implemented, would subject all hydraulic fracturing to regulation under SDWA. Eliminating this exemption could establish an additional level of regulation and permitting at the federal level that could lead to Our Lessees operational delays or increased their operating costs and could result in additional regulatory burdens that could make it more difficult to perform hydraulic fracturing and increase our Lessees cost of compliance and doing business. In addition, the U.S. Environment Protection Agency s (the EPA s ) Office of Research and Development is conducting a scientific study to investigate the possible relationships between hydraulic fracturing and drinking water. The results of that study, which are expected to be available in draft during 2014 for peer review and public comment, could advance the development of additional regulations.

Moreover, the EPA has announced that it will develop effluent limitations for the treatment and discharge of wastewater resulting from hydraulic fracturing activities in 2014. The U.S. Department of Energy has conducted an investigation into practices the agency could recommend to better protect the environment from drilling using hydraulic fracturing completion methods and issued a report in 2011 on immediate and longer-term actions that may be taken to reduce environmental and safety risks of shale gas development. Also, in May 2013, the federal Bureau of Land Management published a supplemental notice of proposed rulemaking governing hydraulic fracturing on federal and Indian oil and gas leases that would require public disclosure of chemicals used in hydraulic fracturing, confirmation that wells used in fracturing operations meet appropriate construction standards, and development of appropriate plans for managing flowback water that returns to the surface. These ongoing or proposed studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the federal SDWA or other regulatory mechanisms.

Although it is not possible at this time to predict the final outcome of the se ongoing or proposed studies or the requirements of any additional federal or state legislation or regulation regarding hydraulic fracturing, any new federal, state,

or local restrictions on hydraulic fracturing that may be imposed in areas where we conduct business, such as the Bakken and Three Forks areas, could significantly increase our Lessees operating, capital and compliance costs as well as delay or halt our ability to develop oil and natural gas reserves.

***Possible regulation related to global warming and climate change could have an adverse effect on our operations and demand for oil and natural gas.***

Based on findings by the EPA in December 2009 that emissions of GHGs present and endangerment to public health and the environment because emissions of such gases are contributing to warming of the Earth s atmosphere and other climatic changes, the EPA adopted regulations under existing provisions of the CAA that establish PSD construction and Title V operating permit reviews for certain large stationary sources that are potential major sources of GHG emissions. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet best available control technology standards that will be established by the states or the EPA. The EPA has also adopted rules requiring the monitoring and reporting of GHG emissions from specified sources in the United States, including, among others, certain onshore oil and natural gas production facilities on an annual basis, which includes certain f our operations. While Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level in recent years. In the absence of such federal climate legislation, a number of state and regional efforts have emerged that are aimed at tracking and/or reducing GHG emissions by means of cap and trade programs that typically require major sources of GHG emissions, such as electric power plants, to acquire and surrender emission allowances in return for emitting those GHGs. If Congress undertakes comprehensive tax reform in the coming year, it is possible that such reform may include a carbon tax, which could impose additional direct costs on our operations and reduce demand for refined products. Finally, it should be noted that some scientists have concluded that increasing concentrations of GHGs in the Earth s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events; if any such effects were to occur, they could have an adverse effect on our Lessees exploration and production operations.

***Our business will suffer if we cannot obtain or maintain necessary licenses.***

Our oil company Lessees proposed exploration and drilling operations on our mineral rights property will require licenses, permits, bonds, and in some cases renewals of licenses and permits from various governmental authorities. Our Lessees ability to obtain, sustain, or renew such licenses and permits on acceptable terms is subject to change in regulations and policies and to the discretion of the applicable governments, among other factors. Our Lessees inability to obtain, or our loss of or denial of extension of, any of these licenses or permits could hamper our ability to produce revenues from our operations.

***Lessees may have difficulty distributing oil or natural gas production, which could harm our financial condition.***

In order to sell the oil and natural gas that our Lessees may be able to produce, they will have to make arrangements for storage and distribution to the market. They will rely on local infrastructure and the availability of transportation for storage and shipment of our products, but infrastructure development and storage and transportation facilities may be insufficient for their needs at commercially acceptable terms in the immediate area of our leases. This could be particularly problematic to the extent that our operations are conducted in remote areas that are difficult to access, such as areas that are distant from shipping and/or pipeline facilities. These factors may affect our Lessees ability to explore and develop our property and to store and transport oil and natural gas production and may increase expenses.

Furthermore, weather conditions or natural disasters, actions by companies doing business in one or more of the areas where our property is located. Labor disputes may impair the distribution of oil and/or natural gas and in turn diminish our financial condition or ability to generate royalty income, if commercial wells are drilled and completed on our property, of which there is no assurance.

***Challenges to our property rights may impact our financial condition.***

Title to oil and gas interests is often not capable of conclusive determination without incurring substantial expense. While we intend to make appropriate inquiries into the title of properties and other development rights we acquire, title defects may exist. In addition, we may be unable to obtain adequate insurance for title defects, on a commercially reasonable basis or at all. If title defects do exist, if a legal dispute concerning such property occurs, it is possible that we may lose all or a portion of our right, title and interests in and to the properties to which the title defects relate.

If our property rights are reduced, our Lessees ability to conduct our exploration, development and production activities may be impaired.



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***Certain U.S. federal income tax deductions currently available with respect to oil and gas exploration and development may be eliminated as a result of proposed legislation.***

President Obama s budget proposal for fiscal year 2014 recommended the elimination of certain key United States federal income tax preferences currently available to oil and natural gas exploration and production companies. These

changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for United States production activities for oil and gas production, and (iv) the extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether any such changes or similar changes will be enacted or, if enacted, how soon any such changes could become effective. The passage of this legislation or any other similar changes in U.S. federal income tax law could affect certain tax deductions that are currently available with respect to oil and gas exploration and production. Any such changes could have an adverse effect on our financial position, results of operations and cash flows primarily because such changes may impact the operations of our operators from whom we currently derive substantially all of our revenues.

## ITEM 2. PROPERTIES.

### Description of Certain Property and Leases

### General

On December 1, 2010, BRI entered into a one-year office lease for its principal office in Helena, Montana, renewable for up to five years, for a 2,175 square foot executive office, for a monthly charge of $1,600 for the first year; $1,800 second year; $2,000 third year; $2,200 fourth year; and $2,400 fifth year. In addition to the principal office, BRI also maintains a part-time office in New York City which is fixed at $3,000 per month.

The Company also maintains an apartment in Helena, Montana to provide accommodation to the Chief Financial Officer who travels to Helena weekly to work at the principal office. The monthly rent for the apartment is $650 per month and is under a one year lease that expired in October 2013 and renewed on a month to month basis thereafter. .

As of December 31, 2013 BRI owns mineral rights for 7,200 (net 2,400) acres in the Bakken/Three Forks in North Dakota and approximately 2,200 acres in the Duck Lake area of Montana. We own a 50% net mineral interest in the Duck Lake acreage minerals. The Duck Lake Property is currently unleased.

The BRI mineral rights are leased primarily to three well operators, Oasis Petroleum, Continental Resources and Statoil ASA (formerly, Brigham Oil). As of December 31, 2013, we have received division orders and/or royalty payments for thirty Bakken formation wells, eleven Three Forks formation wells and three Madison formation wells.

The Duck Lake mineral rights were leased until September 2013 but have not been developed as of December 31, 2013.

On September 21, 2011, the Company s Board of Directors approved the purchase of the Duck Lake minerals from Lincoln Green, Inc ( LGI ). Under the terms of the agreement, the Company agreed to pay LGI $250,000 for approximately a 50% interest in 2,200 net mineral acres. No drilling operations have commenced yet on the Duck Lake property.

The following table presents information about the produced oil and gas volumes for the years ended December 31, 2013 and 2012. The information comes from the North Dakota Industrial Commission website and royalty payments received from the well operators. As of December 31, 2013, the Company has received division orders for thirty Bakken formation wells, eleven Three Forks formation wells and three Madison formation wells. The reported amounts are from those wells. The Company did not begin operations until late 2010.

| | Year Ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Net Production | | |
| Oil (Bbl) | 3,354,315 | 1,316,591 |
| Natural Gas (Mcf) | 2,822,795 | 442,447 |
| Average Sales Price | | |
| Oil (per Bbl) | $ 85.25 | $ 85.16 |
| Natural Gas (per Mcf) | $ 5.72 | $ 6.19 |

The Company s royalty payments from the production noted above vary by well. Wells are drilled in spacing units which are typically 1,280 acres or two sections but can include up to four sections. The royalty percentage is determined based on the amount of mineral interest acreage owned by BRI and the lease rate for that acreage. Because the mineral interest owned by BRI varies by well, the royalty percentage also varies. Our average royalty for the thirty Bakken formation wells and eleven Three Forks formation wells is approximately 1.35%. Using the numbers shown above, if the reported oil

production was sold at the average sales price of $85.16 per barrel, gross revenue would be $285,854,724. Multiplying the average royalty percentage of 1.35% times the gross revenue results in a royalty payment of $3,859,039. Actual royalty payments received by BRI in 2013 total $4,033,719.

**Depletion of oil and natural gas properties**

Our depletion expense is driven by estimates of well production, estimates of number of wells to be drilled and the cost to acquire mineral leases. Depletion expense of $444,737 was recorded in 2012. Depletion expense of $325,598 was recorded during the year ended December 31, 2013.

**Location of BRI s Mineral Rights**

The following contains the descriptions and map of the locations where our mineral acreage is currently located (also includes locations of certain wells located on our properties).



**TOWNSHIP 151 NORTH, RANGE 100 WEST**

| | |
|---|---|
| Section 6: | Lots 2, 3; SW1/4 NE1/4, SE1/4, NWI/4, NW1/4 SE1/4, SE1/4, SE1/4 |

**TOWNSHIP 152 NORTH, RANGE 100 WEST**

| | |
|---|---|
| Section 5: | SW1/4 SW1/4 |
| Section 6: | S1/2 SE1/4, SE1/4 SW1/4 Lot 14, |
| Section 7: | Lots 1,2,3,4; E1/2 SW1/4, E1/2, E1/2 NW1/4 |

| | |
|---|---|
| Section 8: | SE 1/4 SE 1/4, SW1/4, W1/2 NWl/4,SE 1/4 NW1/4, SW1/4 SE1/4 |
| Section 9: | Lots 1,2,3,4; SW 1/4 NW1/4, NE 1/4 SW1/4, SW1/4 SE 1/4, Sl/2 SW1/4, NW1/4 SWl/4, SE1/4 SE1/4 |
| Section 10: | Lots 2, 3,4; S 1/2 SW1/4 |
| Section 15: | NE 1/4 NW1/4 |
| Section 17: | NE 1/4, E1/2 NW1/4, NW1/4 NW1/4, N1/2 SW1/4 NW1/4, SE 1/4 E1/2 SW1/4, S1/2 SW1/4, NW1/4, W1/2 SW1/4 |
| Section 18: | N1/2 NE1/4, NE1/4 NW1/4, Lot 1 |
| Section 20: | All |
| Section 21: | All |
| Section 22: | W 1/2 W1/2, SE1/4 SW1/4, NE1/4 SE1/4, S1/2, SE1/4, NE1/4 SW1/4 NW1/4 SE1/4, E1/2 NWl/4 |
| Section 23: | W1/2 SWl/4 |
| Section 29: | NE1/4, N1/2 NW1/4 |
| Section 30: | Lots 3,4; El/2 SWl/4, W1/2 SE 1/4 |
| Section 31: | Lots 1,2,3,4; E1/2 W1/2, E1/2 |
| Section 32: | SE 1/4 NW1/4, W1/2 W1/2, NE 1/4SW 1/4 |

**TOWNSHIP 152 NORTH, RANGE 101 WEST**

| | |
|---|---|
| Section 1: | SE 1/4 SE 1/4 |
| Section 12: | SE1/4 NE1/4, E1/2 SE1/4, NE1/4 NE1/4 |
| Section 13: | N1/2 NE1/4, NW1/4 |
| Section 24: | SW1/4 |
| Section 25: | NW 1/4 NE 1/4, S1/2 NE 1/4, N1/2 NW 1/4, SE1/4 NW1/4, NE 1/4 SW1/4, N1/2 SE1/4, SE1/4SE1/4 |
| Section 26: | SE 1/4 |
| Section 35: | NE 1/4NE 1/4, S1/2 NE 1/4, SE 1/4 NW1/4 |

To read this table or to check the location on a map, begin with the heading at the top and read down the side for a specific section, then read across for the description of the acreage owned by BRI. For example, in Township 151 North, Range 100 West, BRI owns acreage in Section 6. Specifically, BRI owns Lots 2 and 3 in that Section. In addition, we also own the Southwest quarter of the Northeast quarter of the section, the Southeast quarter, the Northwest quarter, the Northwest quarter of the Southeast quarter.

Well Map Updated January 2013

Map Shows Drilling Units for

Bakken Resources, Inc.

McKenzie County, N.D.

(Each section is approximately 640 acres or one (1) square mile)

**Description of Oil Leases and Oil Production**

As of December 31, 2013, our properties in North Dakota are leased primarily to three operators: Oasis Petroleum, Continental Resources and Statoil. The executed oil leases cover various parcels of land in the same general region, primarily in McKenzie County, North Dakota. The leases have lease periods of between 3 and 8 years with starting dates from March 2003 to December 2009. All but three of the leases have landowner royalties payable by the oil company Lessees on gross proceeds from oil and gas production of 17%. 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 the natural expiration date of the lease.



A majority of the Company s current leases currently have active drilling operations and are likely to have active operations in the foreseeable future.

The following table describes in general a representative sample of the leases held by the Company. From time to time, leases may be divided or consolidated among various lessees without prior consent or notification to the Company so such table is intended for illustrative purposes only.

| | Lease Period | Gross Acres | Net Acres | Original Lessee | C le |
|---|---|---|---|---|---|
| 6: Lots 2(40.00),3(40.00), SE4NW4, SW4NE4 | 7/29/08-7/29/13 | 1203.10 | 614.36 | E m p i r e Oil | C P |
| IW4NW4, S2NW4, SW4, S2SE4, NE4NE4 | " | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | | | | Empire Oil | C P |
| ots 1(21.20), 2(26.60), 3(42.10), 4(43.00), SW4NW4, SW4, S2SE4 | " | | | Empire Oil | C P |
| Lots 2(18.80),3(17.20),4(34.20), S2SW4 | " | | | Empire Oil | C P |
| NE4NW4 | " | | | Empire Oil | C P |
| E4SE4 | " | | | Empire Oil | C P |
| WSW | 7/14/08-7/14/13 | 193.38 | 95.30 | Empire Oil | C P |
| ot 14(33.38) S2SE, SESW | " | | | Empire Oil | C P |
| ot 1(33.53), Lot 2(33.55), E2NW4, NE4 | 3/1/05-3/1/12 | 307.08 | 150.87 | Sundance | C P |
| All plus all accretions and riparian rights thereto | 9/9/03-9/9/11 | 2227.22 | 792.86 | Empire Oil | C P |
| ots 3(33.63), 4(33.59), E2SW, SE Plus all accretions and riparian rights thereto | | | | Empire Oil | C P |
| ll | " | | | Empire Oil | C P |
| ll | " | | | Empire Oil | C P |
| Lot 1(33.63), NENW, N2NE | 5/21/09-5/21/12 | 393.63 | 153.45 | Empire Oil | C P |
| N2NE, NW | " | | | Empire Oil | C P |
| W2, SE4 | 1/19/05-1/19/12 | 480.00 | 156.57 | Armstrong | C P |
| W2SW | 7/14/08-7/14/11 | 80.00 | 19.43 | Empire Oil | C P |
| NE, N2NW | 11/24/04-11/24/11 | 1028.68 | 140.98 | Empire Oil | C P |
| ot 3 (34.31), Lot 4 (34.37), E1/2SW1/4, W1/2SE1/4<br>V1/4 | | | | | |
| NWNE, S2NE, N2NW, SENW, NESW, N2SE, SESE | " | | | Empire Oil | C P |
| Lot 1(34.43), 2(34.49), 3(34.55), 4(34.61), E2W2, E2 | 7/14/08-6/10/12 | 858.08 | 197.27 | Empire Oil | C P |
| W2W2, SENW, NESW | " | | | Empire Oil | C P |
| SE, except 6.32 acres | 4/8/08-4/8/11 | 153.68 | 6.93 | Diamond Resources | |
| E 1/2 NE 1/4, SW 1/4 NE 1/4, SE 1/4 NW 1/4 | 9/13/02-9/13/05 | 160.00 | 7.22 | | |

| | | |
|---|---|---|
| | | Diamond C Resources F |
| 7,084.85 | 2,335.24 | |

Note: The gross and net amounts are slightly lower than amounts that appear elsewhere in this document. There are 160 gross mineral acres and 78 net mineral acres not covered by lease.

The landowner royalty interest is the revenue royalty paid by the contracted oil drilling company (Oasis Petroleum for example) on whatever oil and gas revenue they generate from the particular lease. If Oasis Petroleum generates $100,000 in oil and gas revenue from acreage subject to the BRI landowner royalty of 17%, BRI would receive in royalty payments of $17,000 (assuming that we have 100% of the acreage under the applicable spacing unit). Using the same example, pursuant to the 5% overriding royalty interest on all oil and gas revenue received by BRI from the assets purchased from Holms Energy for ten years (measured from the date of purchase), Holms Energy would receive a 5% over-riding royalty payment of $5,000 from BRI, thus resulting in a net payment of $12,000 to BRI. Royalties paid to BRI are adjusted to reflect the number of net mineral acres underlying the spacing under which the producing well is drilled.



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To illustrate, the leases with Oasis Petroleum do not specify which geological formation must be drilled, but they are specific to oil and gas hydrocarbon drilling. The leases do not impose any performance criteria on the Lessees except the date that well is required to be drilled. We have no control over any operating decisions made by Oasis Petroleum as it relates to: 1) which formation it will drill; 2) levels at which the well will be produced; 3) who Oasis Petroleum uses as contractor for drilling and completing wells; 4) who Oasis Petroleum sells the oil and gas to; or 5) any influence on any aspect of recovery.

Once a well is drilled and production established, of which there is no assurance, the lease is considered held by production, meaning the lease continues as long as oil is being produced. As of December 31, 2013, drilling activity on the Company s mineral acreage is likely to hold by production most if not all of the Company s leases Several of our leases, however, require the operator to have continuous drilling operations which would require the operator to continue drilling activities in order to qualify the lease to be held by production. Other locations within the drilling unit created for a well may also be drilled at any time with no time limit as long as the lease is held by production. The Company is currently conducting an internal audit of its leases and mineral acreage holdings.

Given the recent drilling activity on our properties as well as the relatively recent development of horizontal drilling techniques in general, a proven reserve estimate is not obtainable at this time. Operators have estimated that the range

of recoverable barrels of oil from a particular producing well can vary from 200,000 to as high as 1,000,000 barrels during its viable lifetime. *(Source: http://www.milliondollarwayblog.com/p/faq.html)*

**ITEM 3. LEGAL PROCEEDINGS.**

On April 2, 2012, BRI was served with a summons relating to a complaint filed by Allan Holms, both individually and derivatively through Roil Energy, LLC. Allan Holms is the half-brother of BRI s CEO, Val Holms. The complaint (filed in the Superior Court of the State of Washington located in Spokane County) names, among others, Joseph Edington, Val and Mari Holms, Holms Energy, LLC and BRI as defendants. The Complaint primarily alleges breach of contract, tortious interference with prospective business opportunity and fraud. The complaint focuses on events allegedly occurring around February and March 2010 whereby Allan Holms alleged an oral agreement took place whereby he was to receive up to 40% of the originally issued equity of Roil Energy, LLC. Allan Holms alleges Roil Energy was originally intended to be the predecessor entity to BRI. Both Mr. Val Holms, our CEO, and BRI dispute such allegations in their entirety and intend to and have vigorously defended against such claims. This case went to trial in November 2013. Following trial, the Court issued conclusions that the evidence presented in this case did not support Allan Holms claims that an oral agreement existed. Post-trial motions are currently being heard in this case and final judgment is expected to be issued following the conclusion of such post-trial motions.

On June 6, 2012, the Company filed a Temporary Restraining Order (the TRO ) and Verified Complaint for Injunctive Relief against McKinley Romero, Peter Swan Investment Consulting Ltd and IWJ Consulting Group, LLC (collectively, the Defendants ), in connection with the 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 Defendants. The Company obtained the TRO from the Second Judicial District Court of the State of Nevada, County of Washoe on June 6, 2012 enjoining the 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.

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. Mssrs. 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. Mssrs. 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 4. MINE SAFETY DISCLOSURES**

Not applicable.



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## PART II

### ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

**Market Information**

BRI s common stock was approved for quotation on the OTC Bulletin Board of the National Association of Securities Dealers ( NASD ) on July 29, 2009, under the symbol MLTX , and that symbol was changed to BKKN on Decembe 17, 2010. A limited public market for our common stock has developed on the OTC Bulletin Board. For purposes of this Item the existence of limited or sporadic quotations should not of itself be deemed to constitute an established public trading market .

For any market that develops for our common stock, the sale of restricted securities (common stock) pursuant to Rule 144 of the Securities and Exchange Commission by members of management or any other person to whom any such securities were issued or may be issued in the future may have a substantial adverse impact on any such public market. Present members of management and shareholders at December 2, 2010 when BRI ceased to be a shell company, satisfied the one year holding period of Rule 144 for public sales of their respective holdings in accordance with Rule 144 on December 2, 2011. See the caption Recent Sales of Unregistered Securities , of this Item, below. A minimum holding period of one year is required for resales under Rule 144 for shareholders of former shell companies, along with other pertinent provisions, including publicly available information concerning BRI, limitations on the volume of restricted securities which can be sold in any ninety (90) day period, the requirement of unsolicited broker s transactions and the filing of a Notice of Sale on Form 144.

The quoted bid or asked price for the shares of common stock of BRI for the quarterly periods from January 1, 2013 through December 31, 2013 ranged from $0.10 to $0.28.

**Holders**

The number of record holders of BRI s common stock as of the date of this Report is approximately 157.

**Dividends**

The payment of dividends is subject to the discretion of our Board of Directors and will depend, among other things, upon our earnings, our capital requirements, our financial condition, and other relevant factors. We have not paid or declared any dividends upon our common stock since our inception and, by reason of our present financial status and our contemplated financial requirements, we do not anticipate paying any dividends upon our common stock in the foreseeable future.

We have never declared or paid any cash dividends. We currently do not intend to pay cash dividends in the foreseeable future on the shares of common stock. We intend to reinvest any earnings or proceeds we may receive in the development and/or expansion of our business. Any cash dividends in the future to common stockholders will be payable when, as and if declared by our Board of Directors, based upon the Board s assessment of:

§

our financial condition;

§

earnings;

§

need for funds;

§

capital requirements;

§

prior claims of preferred stock to the extent issued and outstanding; and

§

other factors, including any applicable laws.

Therefore, there can be no assurance that any dividends on the common stock will ever be paid.

**Securities Authorized for Issuance under Equity Compensation Plans**

Stock Option Plan

The Board of Directors of our predecessor approved the Stock Option Plan on November 3, 2008 and then on June 16, 2010, authorized an increase in the total common stock, $.001 par value, available in the Company's 2008 Non-Qualified Stock Option and Stock Appreciation Rights Plan from one million (1,000,000) shares to five million (5,000,000) shares, to be granted to officers, directors, consultants, advisors, and other key employees of BRI and its subsidiaries. This was ratified by the shareholders on November 12, 2010. The total number of options that can be granted under the plan will not exceed 5,000,000 shares. Non-qualified stock options will be granted by the Board of Directors with an option price not less than the fair market value of the shares of common stock to which the non-qualified stock option relates on the date of grant. In no event may the option price with respect to an incentive stock option granted under the stock option plan be less than the fair market value of such common stock.

Each option granted under the stock option plan will be assigned a time period for exercising not to exceed ten years after the date of the grant. Certain other restrictions will apply in connection with this plan when some awards may be exercised. This plan is intended to encourage directors, officers, employees and consultants to acquire ownership of common stock. The opportunity so provided is intended to foster in participants a strong incentive to put forth maximum effort for



BRI s continued success and growth, to aid in retaining individuals who put forth such effort, and to assist in attracting

the best available individuals to BRI in the future.

The following table sets forth information about the common stock available for issuance under compensatory plans and arrangements as of December 31, 2013. There are no equity compensation plans not approved by security holders.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants, and rights. | Weighted-average exercise price of outstanding options, warrants, and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|---|---|---|---|
| | (a) | (b) | (c) |
| Equity compensation plan approved by security holders | 500,000 | $0.10 | 4,500,000 |
| Total | 500,000 | $0.10 | 4,500,000 |

The transfer agent of BRI is Nevada Agency and Transfer Company, located at 50 W Liberty St, Ste 880, Reno, NV, 89501.

Recent Sales of Unregistered Securities; Use of Proceeds from Unregistered Securities

Since December 31, 2012, the Company has not entered in any sales of unregistered securities.

**ITEM 6. SELECTED FINANCIAL DATA**

Not applicable for smaller reporting companies.

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**ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

**Caution Regarding Forward-Looking Information**

*All statements contained in this Form 10-K, other than statements of historical facts, that address future activities, events or developments are forward-looking statements, including, but not limited to, statements containing the words believe, expect, anticipate, intends, estimate, forecast, project, and similar expressions . All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new acquisitions, products, services, developments or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. These statements are based on certain assumptions and analyses made by us in light of our experience and our assessment of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. However, whether actual results will conform to the expectations and predictions of management is subject to a number of risks and uncertainties described under Risk Factors under Item 1A above that may cause actual results to differ materially.*

*Consequently, all of the forward-looking statements made in this Form 10-K are qualified by these cautionary statements and there can be no assurance that the actual results anticipated by management will be realized or, even if substantially realized, that they will have the expected consequences to or effects on our business operations. Readers are cautioned not to place undue reliance on such forward-looking statements as they speak only of the Company's views as of the date the statement was made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise*

**Overview**

BRI is an oil and gas exploration company, with properties located mostly in the Bakken. As of March 4, 2014, the Company owns mineral rights to approximately 7,200 gross acres and 1,600 net mineral 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% from the oil and gas produced on such lands. In addition, we own a 2% overriding royalty interest (or its equivalent) based on approximately 767 net mineral acres which overlap our existing mineral interest. We have no rights to influence the activities conducted by the Lessees of our mineral rights. We will primarily 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 mainly 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]

BRI has continued to evaluate projects potentially complementary to its core business operations, including projects located in Idaho, Colorado and Texas. In addition, the Company has begun active discussions with industry and regulatory authorities on potential enhanced oil recovery (EOR) projects for application initially in the Williston Basin.

In February 2014, we announced the sale of approximately 767 net mineral acres for approximately $7.9 million and retained 2% royalty on the sold assets.

From time to time, we have raised funds from private investors. On February  and March, 2011, we entered into agreements relating to the private placement of $745,000 of our securities through the sale of 2,980,000 shares of our common stock at $0.25 per share, with 1,490,000 total warrant shares attached that are exercisable at $.50 per share for three years from the date of these respecti