

## Canadians Urged To Join New E-Business Initiative

*By Stephen Marsters,  
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“Come aboard.”

That was a primary message delivered yesterday as three large independent E&P companies and a technology provider officially announced the formation of a strategic partnership to standardize and automate financial and operational processes with suppliers.

While **EnCana Corporation**, **Anadarko Canada Corporation** and **Nexen Inc.** -- working with technology company **Digital Oilfield Inc.** -- represent about 25% of the upstream spend in Western Canada, the group wants more Canadian operators and suppliers to join in.

“Part of our objective is getting you to join us,” said **Hayward Walls**, senior vice-president and chief information officer with EnCana. “We can still be fiercely competitive in our E&P areas, but collaborate on initiatives like this.”

Walls said the first area the group decided to tackle was invoicing -- an obviously necessary function in each company, but one that's time-consuming and fraught with inefficiencies.

Consider the following examples: A senior drilling engineer at a field office with 20 years of experience spends hours each week approving invoices, many at the \$1,000 level, instead of concentrating fully on downhole matters. To catch up on approvals, the engineer lugs home each weekend a briefcase full of invoices.

Or, consider the invoice for road/lease maintenance or cleanup costs at a company's multiple wellsites. A \$700 invoice may be coded to 13 different cost centres, in effect costing more to process than to pay.

Meanwhile, at another producer, a \$100,000 invoice for a logging job is posted to the accounting system as a one-line item, not capturing important information such as crew and equipment wait charges due to a wiper trip or charges due to unplanned transportation.

Through Digital Oilfield's OpenInvoice software program, however, the three producers have automated the paper-driven invoice process. They can also capture detailed information on E&P spend data.

“Improving workflow processes related to the processing of field ticket and invoice information will provide tremendous savings for these companies and their suppliers,” said **Rod Munro**, CEO of Digital Oilfield.

In the Canadian upstream sector alone, Munro said the top 25 companies spend over \$20 billion annually, deal with four million invoices and about 20 million line items.

It also costs about \$200 million to process these invoices, as there is an average current charge of \$30 to \$60 to move just one from the mailroom to a company's ERP system.

Munro said OpenInvoice can result in savings of up to \$25 per invoice, resulting in a total savings opportunity of over \$100 million per year.

“We believe the industry needs more cooperation like this to drive down costs,” added EnCana's Walls. “Once you have suppliers and operators trusting and embracing the same technology for something as fundamental as tracking, generating and processing invoices, you have established a platform that provides tremendous opportunities for improved industry practices.”

Indeed, looking down the road, Walls said the partnership lays the groundwork for integration with other tools, such as joint interest billings, or complex service solutions.

At present, though, invoicing is the first area to be scrutinized. The technology was piloted during this past winter and spring at AEC's U.S. Rockies operations in western Colorado, where **EnCana Oil & Gas (USA) Inc.** processes about 4,000 invoices per month.

Two supplier open houses were held last October, with supplier training occurring in November and December. On Dec. 5, EnCana Oil & Gas launched the pilot with 17 suppliers that offered a range of services and products -- from drilling to wireline work to tubulars to valves.

To date, through the first phase of the pilot, 966 invoices have been processed using Digital Oilfield's OpenInvoice, representing about \$8.8 million.

The speed at which invoices are approved changed dramatically -- falling to an average seven calendar days from 90 days before implementation of OpenInvoice. "It's been faster than we had even hoped it would be," said **Mark Mason**, team leader, business services, with EnCana Oil & Gas.

A hidden benefit of using the new system has been early pay discounts, Mason added. Tubular companies in the United States, for instance, often provide a two per cent saving on "10-day pay." As a result, EnCana's U.S. division has generated nearly 0.5% savings in early payment discounts.

The next step for the partners is rolling out OpenInvoice in Western Canada. The system is slated to go live on Sept. 1 in the Medicine Hat/Brooks area -- a locale where all three producers have operations.

**Grant Utas**, director of procurement at Nexen, said banding together and sharing costs "improves the potential for success." He also noted that suppliers have, in general, reacted positively to the new e-business venture.

"Their biggest nightmare is that we all do something different," Utas suggested. "Standardization is what they're after."

By the end of 2003, the partners hope to have at least 300 suppliers "on-ramped" to the system. The producers also will expand to other geographic regions, although no area has been picked yet.

Where the system is rolled out next may be based on which new producers join the group.

"Now is the time to join us," said **Robert Austin**, director information technology services with Anadarko Canada. "The technology has been tested in a pilot project and the door is open."

In fact, noted Austin, the AEC pilot in Denver was all Anadarko Canada had to see to believe in the "proof of concept."

"The workflows associated with the receipt, coding, adjudication and approval of invoices are complex and time-consuming," he said. "OpenInvoice enables the automation of a significant portion of the process, providing immediate tangible benefits."