

## E&P Companies Can Streamline Field Tickets, Invoices, Processes

A method for streamlining contract management processes to eliminate 80 percent of the internal processing time and cost associated with invoice approval has been developed by Digital Oilfield.

Called OpenInvoice™ and OpenContract™, the software enables E&P companies and their suppliers to collaboratively create and process field tickets and invoices.

Suppliers and operators in the upstream oil and gas industry use OpenInvoice to collaboratively create and manage field tickets and invoices.

It automates paper-driven processes by automatically coding invoices and field tickets to the line item, tracking inquiries, resolving disputes and seamlessly linking spend information to corporate financial systems, according to Digital Oilfield.

The process automation results in drastically reduced costs, while the spend capture and analysis capabilities allow E&P companies to work toward better relationships with their strategic suppliers, the company noted.

OpenContract is fully integrated with OpenInvoice to further reduce invoice-processing time through its full audit trail and price reconciliation capability.

The combined solution automatically ensures invoices are priced according to contracted rates for every line item.

These workflow-improvement tools, specifically designed for upstream operations, free up professional staff time and give E&P managers instant access to detailed spending and operating information.

### BENEFITS OF MANAGING INVOICES

Using the invoice software gives an E&P company a better understand of where its spend is going.

Line item detail is referenced to Digital Oilfield's industry-standard Service Supply Index (SSI).

This not only allows invoices to be "auto-coded" to an operating company's general ledger system, it also

categorizes corporate operational spend to a far greater degree of detail than previously possible, according to the company.

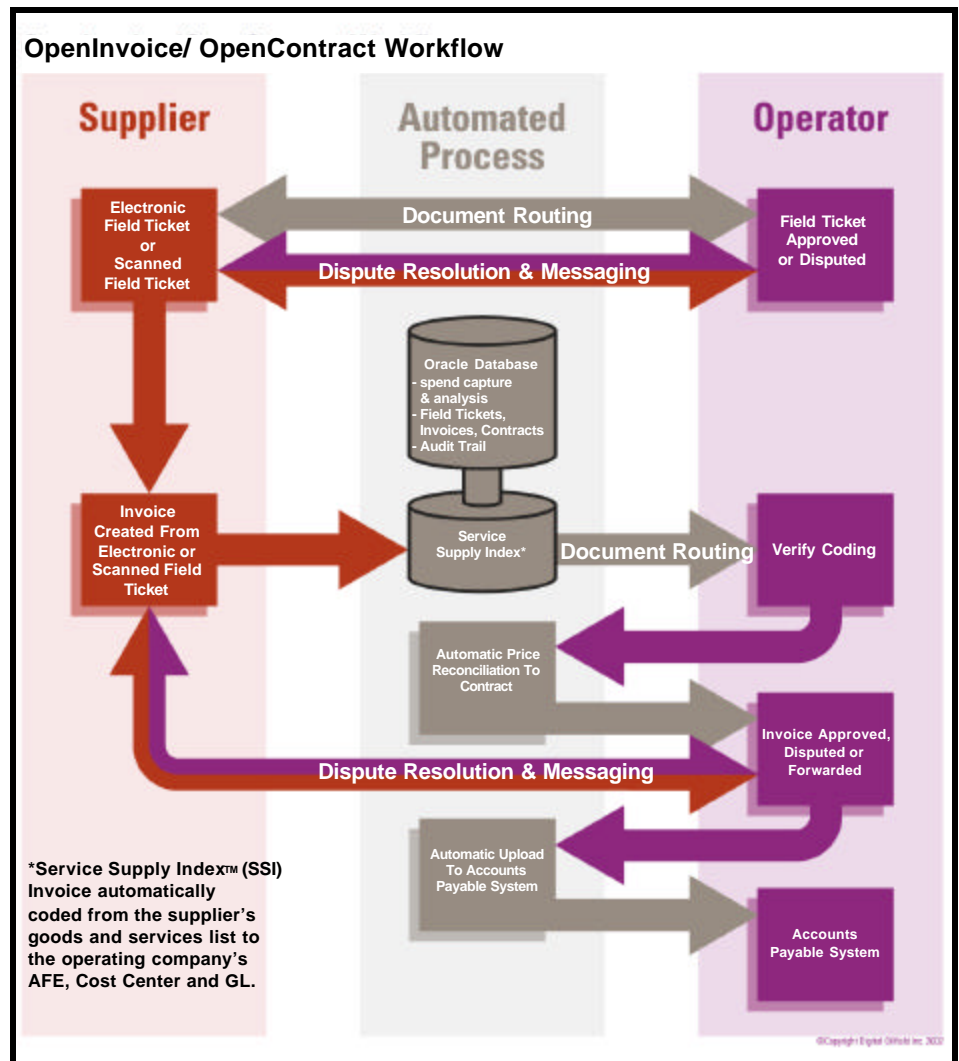
This means that operating companies can review, analyze and understand their spend, thus increasing operational efficiencies and optimizing their relationships with their strategic suppliers.

There are several process-automation benefits, including: reduced paperwork and automated manual processes; automated coding; reduced coding errors and consistent data capture; automatic routing; online-enabled approval/dispute resolution; and a complete audit trail.

In addition, the spend-capture and analysis benefits allow a company to track 100 percent of the spend; analyze and understand spending patterns; gain access to operations information embedded in line-item detail; and uncover opportunities for operational improvements.

For integrated contract management, benefits include: automatic price reconciliation; full contract lifecycle management; identification and management of "rogue" spend; contract status checking; contract association and ownership; internal contract tracking and routing; and design with upstream operations in mind.

OpenContract and OpenInvoice



combine to manage the end-to-end reconciliation process, pointed out Digital Oilfield.

The combination of the two enables an operating company to automatically reconcile every invoice it

processes right down to the line-item level. Goods and services delivered on electronic field tickets and invoices are automatically compared, while pricing is automatically matched back to pre-negotiated contracts.

The process savings in time and resource are enormous, and the operator is able to realize the full benefit of the strategic agreements that have been negotiated.

[www.digitaloilfield.com](http://www.digitaloilfield.com)

## Electronic Invoicing Allowing Significant Changes at North America's Largest Independent

Calgary-based Encana, which after the merger of Pan Canadian Petroleum and AEC Oil and Gas is reported to be North America's largest independent producer, plans to change a number of its accounts payable procedures using electronic invoicing.

Perhaps the most radical change will be a migration to exception-based invoice approval, where an invoice is tested automatically by Encana's information management systems and flagged for manual review only if it fails to pass these electronic tests.

Under normal procedures, one of Encana's drilling engineers or production supervisors must approve an invoice before a vendor is paid.

"A big part of [a drilling engineer's and production supervisor's] job is approving invoices," said Mark Mason, team leader of business services within Encana Oil and Gas USA, Inc.

Yet, Mason noted too few erroneous invoices have been found over the years to warrant the time and expense of this manual approval process.

"Someone asked if having a 20-year engineer looking at invoices is a good use of his time. No, I think it's not. We're trying to automate the whole process and deal with it on an audit basis.

"What we'd like to do is get this system honed and defined well enough to where the auto-coding is working and everything is mapped and matched up so that we go straight from invoice submittal, take it into the ERP system, and pay it and deal with the invoices on an audit-type basis," Mason pointed out.

A second benefit to the electronic invoicing system foreseen by Mason is auto-coding. In a trial being conducted in Denver, Encana and Digital Oilfield management have taught vendors to enter invoices in a web browser that provides the vendor with access to item codes, AFEs and other information necessary to code the invoice. The vendor can then track the status of the invoice. E-mail notices are sent if questions about the invoice arise from Encana.

"I think one of the big wins for us is in the area of dispute resolution and messaging because it's done online. I think the happiest users are drilling engineers and production superintendents that don't have to carry their invoices home on the weekend.

"Our AFEs, cost centers are all searchable and available via drop-down menus to the vendor. This is real important."

The vendor is motivated to code the invoice properly because it ensures faster payment. Once coded, the invoice can enter unimpeded into Encana's Excalibur financial system, thereby eliminating duplicate entry.

In the Denver trial, 74 percent of invoices are pre-coded by the vendor.

Mason stressed the importance of vendor coordination. Both he and Lorin Lindros from Unocal – another user of the Digital Oilfield software – indicated vendors would receive on-time payment under the new systems. Historically, operators have paid more slowly than the terms of their service agreements because of the mountain of paper work.

Encana's Denver operations are in the second phase of testing electronic invoicing systems, using XML to tie larger vendors to Digital Oilfield's Open Invoice software (see related story).

As of September, Encana had processed about 1,900 invoices from a broad range of vendors for a total of \$16 million. Mason says that the new systems also allow the accounts payable department to take advantage of early-payment discounts, which thus far have averaged about a half percent of all invoices combined, or about \$80,000.

## Production Data Management Requirements Balloon as Wells Grow More Intelligent

As intelligent well technology (IWT) passes from adolescence into adulthood, returns on investment for producers accelerate, said Jack Angel, director of marketing and technology of intelligent well systems for Baker Oil Tools.

"Figures have been referenced on the order of 2.0 percent to 12 percent of additional recoverables to be realized from this technology, and if your base point is around 35 percent to 40 percent, that is tremendous incremental benefit."

Angel says that intelligent well systems (IWS) should provide a 25-percent to 35-percent improved life-cycle return, and that's only using a single-well focus. As management begins to tie data from multiple wells within the field to maximize hydrocarbon yields