

E-Invoicing Solution Improves Accounts Payable Operations to Benefit of Operator, Supplier

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Electronically automating invoicing enabled Bourland and Leverich (B&L), a tubular goods supplier, to bring in payments from customers faster. At the same time, their customer - EnCana - was able to take advantage of B&L's early payment discount.

B&L faces all the typical problems an oil and gas supplier faces: lack of visibility into the invoice dispute process; manpower intensive paper processes; and high days sales outstanding (DSO), which is the length of time between invoicing and payment. Access to working capital and optimizing cash flow are critical for B&L. These help the supplier respond quickly to customer requirements.

In an effort to reduce the more than 60-plus DSO they were encountering, B&L decided to offer early payment discounts of 2.0 percent to select customers if the payment was received within 10 days. Some took advantage of the discount offer, but many were unable or unwilling to streamline their payment processes needed to meet the terms. Many of their customers still had an onerous paper invoicing process that did not allow for quick payment resolution.

B&L approached one of their customers, EnCana USA Oil & Gas Inc., a significant operator in the U.S. Rocky Mountains, with their new early payment discount. In the past, the operator was unable to take advantage of net 10-day payment terms, but recognized the savings potential if they could. Their challenge was to streamline the payment process while ensuring that its expenditure approval process was kept intact.

In fall 2001, EnCana chose to streamline and automate its invoicing process using Digital Oilfield's OpenInvoice software. B&L agreed to participate in EnCana's pilot and implement OpenInvoice.

By 2003, all of B&L Rifle operating unit invoices to EnCana were processed through OpenInvoice. The invoice transactions were conducted entirely online without manual intervention. As a result, on average the process from submitting an invoice to payment took less than five days. EnCana was able to take advantage of the early payment discount and B&L received payment in less than a week.

Automation process

"Digital Oilfield was one of few vendors focused on the oil and gas vertical, which is one of the reasons why we chose them" explained Mark Mason, director, business services, EnCana. "Plus, as one of the early adopters, we were able to drive conceptually where the

software vendor's product, workflow and interface were going."

The OpenInvoice software automates the process of invoice generation, receipt, adjudication and approval, and streamlines traditional labor-intensive, paper-based workflow processes. In addition, detailed spend data acquired through the invoice process can be analyzed to identify inefficiencies and enable improved operational performance. The workflow shown in Figure 1, illustrates how Digital Oilfield links operators and their suppliers.

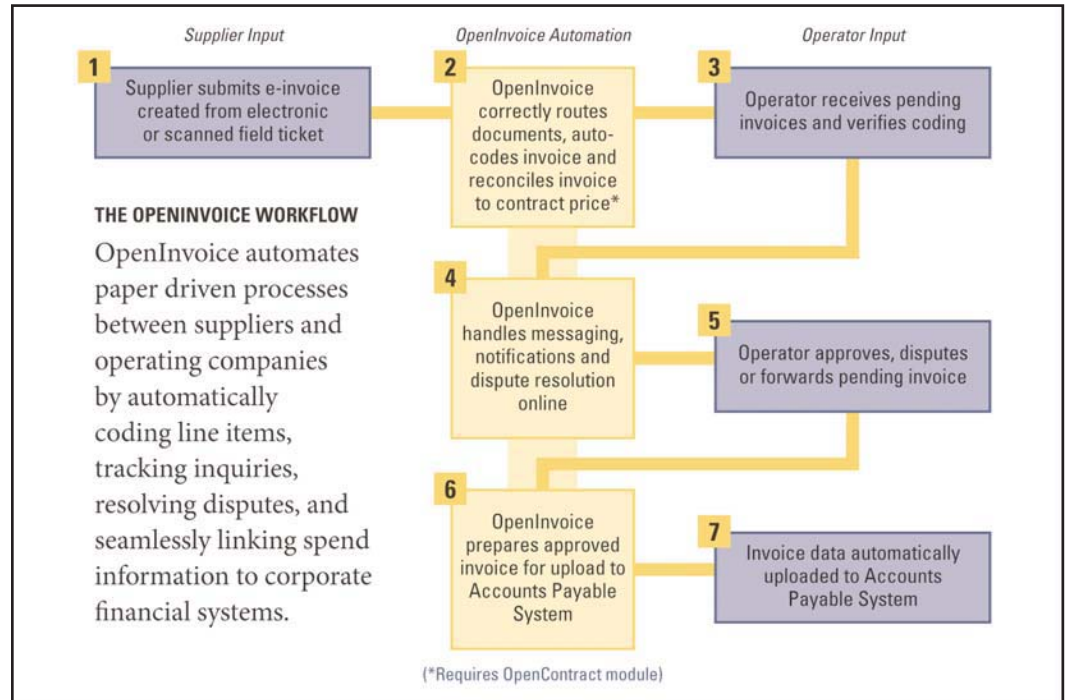


Figure 1: Digital Oilfield's OpenInvoice workflow. (Illustration provided by Digital Oilfield)

B&L generates invoices from their Solomon financial system. Paper copies of invoices and delivery tickets are mailed to customers after delivery takes place.

During the pilot, B&L invoices were produced in their Solomon financial system, and then re-keyed in OpenInvoice. Delivery tickets and any other backup documentation required for EnCana to process the invoice were scanned and attached to the electronic invoice. Later, OpenInvoice's "log-in, drop-off" data upload capability helped eliminate the duplicate data entry and reduce potential inaccuracies.

During implementation, several key issues surfaced related to which attachments were required, how to best utilize the OpenInvoice online dispute resolution, and how to best highlight discount opportunities. The functionality and flexibility of the e-invoicing software allowed these two user companies to adapt the technology to their needs and resolve the issues before the "go live" date.

For example, the software application maintains a document journal of all of the actions associated with the invoice, including any comments generated by the concerned parties while disputes are being resolved. This allows managers and controllers an "instant look" into the issues associated with problem invoices and quick determination of corrective measures to reduce the likelihood of it happening in the future.

Benefits beyond payment cycle improvements

In November 2001, EnCana went live with the OpenInvoice pilot in their Rifle-operating area. B&L transacted their first invoice in January 2002.

The average approval time for a B&L invoice since implementation of the technology has been a little less than five days, with payment typically one to two days later.

"EnCana now has about 400 vendors enabled on Digital Oilfield's system," said Mason. "About half our invoices, approximately 7,000 to 8,000 of them, are processed through OpenInvoice now. Our goal's to have about 80 percent of our invoices processed electronically through Digital Oilfield by the end of the first quarter 2005."

"The advantage to other operators is that once a supplier's enabled on the Digital Oilfield system they can start transacting electronically almost immediately with the supplier," he added. "They don't have to incur a high starting-up cost."

Besides payment cycle time reduction, both B&L and EnCana have gained from the increased transparency into dispute issues. B&L is instantly notified of disputed invoices, can see the nature of the issue, and react accordingly, either by responding to the query, adjusting the invoice or issuing a credit memo.

B&L also can verify the status of an invoice at any given time - easily determining if it is in the coding verification process, the approval process, or if it has been approved for payment. This greatly reduces the amount of time spent trying to track down invoices on both sides.

UPSTREAM IT NEWS

Real-Time Drilling

Drilling Services Contract Extended

Statoil has extended their 2002 contract with Schlumberger for integrated drilling services by another two years. As part of the drilling contract, the oilfield services company will also support the operator's onshore operation centers.

The new contract covers eight Statoil fields and satellite operations on the Norwegian Continental Shelf, as per the service company. Measurements while drilling, logging while drilling, directional drilling, mud logging and drilling optimization are included in the contract.

Paul Kibsgaard, president, drilling and measurements, Schlumberger, remarked that the Norwegian operator plans to use several new drilling technologies as well. These include:

- PowerDrive rotary steerable systems for drilling in extremely deep, narrow wells;
- PowerDrive Xceed rotary steerable systems for drilling in harsh, rugged environments; and,
- PowerDrive vorteX rotary steerable systems for directional drilling from spud to total depth.

We're targeting a 50-percent reduction in well costs over the next eight years, added Mads Grinrod, vice president of drilling, well and production technology, Statoil ASA. Onshore control and management of well drilling and production operations are expected to help them achieve this result while allowing them to optimize operations.

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