

A Code-Rite White Paper



**Upstream Oil and Gas Operator Improves Financial Efficiency
With Code-Rite Field Coding Module**

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INTRODUCTION

A significant improvement in operational efficiency across many departments is achievable with the implementation of a dynamic new field ticket coding process.

A Canadian upstream oil and gas operations group implemented the Code-Rite Field Module in July 2006 and as will be demonstrated, has achieved remarkable improvements in financial data integrity and processing metrics.

PROBLEM DEFINED

Managing the changing account codes, approvers and routing destinations for field ticket coding is a critical business task that is typically managed by no one, and yet is vital to the efficient operation of any business. The processing of invoices created with incorrect information is costing companies time and money to verify and correct. Ultimately, this is taxing the resources of operations, accounts payable, and financial departments. Project and financial costs are erroneously reported and ultimately the users of this worthless financial data are making flawed business decisions. The business intelligence necessary for improving processes, identifying cost drivers, and even managing procurement cannot be achieved without correctly coded financial data.

THE PAST

Historically, the stewardship of managing the changing codes has been attempted with a voluminous, paper based manual that has a list of account codes and definitions. This document is seldom referenced, updated or even distributed to users. Naturally, if the user guide is not accurate and disseminated effectively, it is unlikely that field users could be expected to get it right. Cost control and AFE accountability cannot be achieved.

DATA INTEGRITY SOLVED

The Code-Rite field coding module enforces data integrity by limiting field user access (based on a login role) and with predefined drop lists for coding descriptors and office approvers. A correctly coded field ticket label complete with a PD417 barcode can be created and printed in mere seconds. It is then attached to the vendors' field ticket for accurate invoice creation.

Coding changes, approver name additions and deletions, and business unit routing are all managed dynamically in real time with a data pull to users via the internet. Additionally, a data push traps all labels printed to a SQL 2005 central server for data analysis and invoice backup verification.

FIELD USER BENEFITS

Field users readily adopted the new field ticket coding with its intuitive input screen and ease of operation. The intelligence and consistency built into the program resulted in significant reductions in time to code field tickets, improved legibility of the label and assured a quick buy-in at the field user level. Service companies immediately realized that their invoice total must be equivalent to the field supervisors Code-Rite approval. Consequently they would be paid in a timely fashion.

A drilling consultant using the field coding module was particularly impressed with "the ease of month end coding for multi-well projects." Based on the acceptance and success of initial field users other operations groups have implemented the process with significant positive implications.

VENDOR BENEFITS

Vendors rapidly realized the benefit of having all the required and accurate information to code, route, and submit their invoices. Several service companies have commented that the Code-Rite system has made their invoice preparation faster, easier and more accurate and did not require any modifications to their current internal processes. It also ensured correct approval routing and facilitated prompt invoice payment.

Compliance was also enforced since an invoice would be automatically rejected if it did not meet all of the operators invoice submission requirements.

APPROVER BENEFITS

Approvers responsible for the charges to their AFE's immediately required every invoice submitted to arrive complete with the field ticket backup that has a Code-Rite label approved at the field level. This ensured verification of services received by their authorized field report. Time spent reconciling month end "mystery" invoices decreased from three days of effort (per approver) to zero.

A drilling superintendent stated that "my time spent approving invoices has decreased by 70 %." Prior to implementing Code-Rite, the approver would receive numerous invoices with extra costs added to the field ticket with no field approval. It consequently took additional time to contact the service vendor to discuss the additional charges and wait for revisions. This left stacks of outstanding invoices on his desk for months.

Accountability to AFE control, accruals and actual cost has been enhanced and project engineers are gaining confidence in the actual cost number and using them to create new cost estimates for future projects under consideration.

AP WORKFLOW

An accounts payable supervisor commented that since invoices are being submitted with the correct information, "we can rapidly and accurately process them." The invoices submitted with a Code-Rite label are correct 99% of the time, as opposed to their previous process where errors and deficiencies can occur in 4 out of 10 invoice submissions.

LEVERAGING THE NEXT STEP

With accurate field ticket coding the Code-Rite business process can be expanded. The automated process could include invoice receipt, workflow routing, approvals and payment processes; complete with upload and integration into any existing financial accounting system. A cost saving of 40 - 90% is achievable by automating the entire invoice process.

CONCLUSION

Implementation of the Code-Rite Field Coding Module has been proven to save your company time and money while increasing efficiency, enhancing data integrity, improving compliance, and finally decreasing process time for all touch points. Cost control and AFE accountability is ensured.