

## Bakken Supply Chain Applies Faster and Easier Processes

By Karin Knapp

**HOUSTON**— Recent Bakken Supply Chain improvements linked to Project ONE are making it easier and faster to get work done and manage financial performance in North Dakota, while helping Hess meet its goal of becoming the customer of choice.

Since the launch of Project ONE in the Bakken last January, and as a result of work that was done on an earlier eCommerce project there, new electronic processes for setting up contracts, handling invoices and paying contractors are paying off for the asset and Hess, said Justin Burnett, Senior Manager of Supply Chain for Bakken.

“There is a more efficient process for getting work done in the field and people working for us are getting paid faster,” Burnett said. “The contracts we have in place allow us to notify contractors and put them to work without waiting for the traditional purchase request/purchase order process. Contractors are invoicing us faster and we are paying them faster, and that gives us a more timely understanding of our costs so that we can do a better job managing financial performance.”

According to Burnett, Hess’ operations in the Bakken process about 25,000 invoices per month, more than any other Hess asset. About 93 percent of those invoices are paid on time now, compared to about 65 percent before Project ONE was launched. It now takes an average of four to five days to process an invoice instead of the previous average of 29 days. In addition, fewer than 1,000 paper invoices are in backlog, down from about 16,000 in April.

“We have heard comments that Hess has gone from one of the worst in industry to one of the best in payment time turnaround,” Burnett said. “That means suppliers have less money tied up in receivables and can get better interest rates from their banks. In turn they can lower their costs to Hess.”

Contractors are instructed to use a specific network and activity code — used to identify the specific location and team responsible for the expense — on their invoices to ensure fast approval and payment. Hess also uses activity codes to track costs and categorize spend, explained Bakken Planning, Performance and P2P (procurement to pay) Manager David Jones.

“At the completion of each well, all the expenses for that project will be associated with specific activity codes. We can use that data to figure out what various activities typically cost, which allows us to more accurately plan future wells,” Jones said.

Completions Operations Manager Alf Tischler said the new system is a great time saver for his team that manages hydraulic fracturing, workover rigs, artificial lift design and maintenance and other activities in Bakken. About 90 percent of this work is accomplished through 120 different contractors that account for 1,600 transactions every day.

“Before, it took two to three months after work was completed to pay our business partners and a year to close out AFEs. Now it takes one week to pay and our business partners are happier,” said Tischler. “We are getting more accurate in forecasting because actual costs are

much closer to real time. It has made our cost control much tighter. We also changed the systems to close AFEs much earlier, so the opportunity for incorrect billing is greatly reduced.

“You can see on a daily and weekly basis that the process is just going to keep getting better. It’s a live system that we continue to improve with input from customers,” Tischler added.

### **Turning clutter into cash**

Supply Chain is also piloting a new service in the Bakken that is designed to move Hess from “just in case” inventory to “just in time” inventory. Supply Chain Specialist Sophia Ansari said Supply Chain’s first-ever investment recovery team is working to minimize capital tied up in inventory.

The team partnered with an asset surplus company to move \$50-\$100 million of surplus equipment and material stored in 45 yard sites and warehouses across North Dakota. The items range from unused steel pipe joints and fiberglass production tanks to miscellaneous sound equipment, open boxes of bolts and spools of wire.

“The first step is to try to redeploy material internally by making it available on a [website](#) managed by ExchangeBase, LLC,” Ansari explained. “ExchangeBase takes photos and videos of surplus items and posts them to the website. The items are listed for internal redeployment for two to four weeks. We’d like our business partners to use the items in the next six months or give us a cost center to charge the items to. If no one within Hess wants them, we move them to sale.”

ExchangeBase sells the items to its extensive network of operators and resellers at no cost to Hess. Ansari said Hess hopes to maximize the return on investment in upcoming sales of scrap electrical equipment, thousands of joints of unused poly and steel pipe, combustors, venting flares, tanks and other items from the Killdeer, Keene and Ross yards.

“If you estimate \$100 million in surplus inventory across North Dakota at a 30 percent return, that is enough to drill three wells Hess could not have been drilled otherwise,” Ansari pointed out.