

Change Driven Opportunity

By Amy Hopmann & Jim Shaw

In our industry, downtimes are inevitable and the fall of oil and gas prices can happen quickly. When prices are low, as they are today, we should all be focusing on how we can help add value to our companies by reviewing our processes, workflows, training programs and quality control efforts in order to be better prepared for upcoming acquisition and divestiture activity. Being proactive in these areas will contribute to your company's future success.

Process Evaluations

During boom times, our days are filled with the urgency of preparing for the drill schedule, acquiring new leases, entering them into the system and submitting bonus payments. We are often battling the "I need this yesterday" deadlines and are frequently rushing through our daily routines, sacrificing quality and not taking the necessary time to document current processes. These inefficiencies often have a larger impact than we think. Downtimes provide an opportunity to minimize errors made during this rush by allowing time to prepare/improve process documentation and identify workflow competencies. To accomplish this, several factors need to be taken into consideration in order to discover areas for improvement. A few questions to help facilitate this include:

- Are you using your current system to its fullest potential? Harvesting and cleaning up existing records through quality control exercises and identifying acceptable exceptions while building controls within your system will reinforce standardization among your analysts. This will result in better reporting capabilities and build stakeholder's confidence in your data
- Are you still manually inputting all of your records? Can you utilize upload capabilities and capitalize on the work for which you have already paid your broker? Uploading basic lease information with approved data standards will help free up your Lease Analysts' time for record completion, quality control and reporting efforts.
- How are you managing your payment recommendation reports? For instance, are your analysts still printing paper reports out of your system, manually adding them to their tracking spreadsheet and sending interoffice to the Land Tech to secure approvals from the appropriate Landmen and even Land Manager? Electronic workflow processes allow multiple team members to work together with greater efficiency, creating better

accountability and transparency. Email alerts, for example, can notify the manager when team members have not timely completed their portion of the process and aging reports will also allow management to better evaluate employee performance.

Identifying all "to be" processes and reconfiguring procedures to determine the best practices for our companies can be a daunting task. It may be more cost effective to reach out to an outside firm with extensive business process management consulting experience to assist with these evaluations. This firm can offer an unbiased review and opinion of existing processes, exploiting areas for improvement and presenting recommended solutions.

Training Programs

As you are updating processes, it is equally important to document your high level workflow and to support said workflow with detailed written instructions. The ups and downs of our industry have caused critical knowledge gaps where subject matter experts are replaced by new, inexperienced employees looking for guidance. Shifting from processed based duties to training the comprehensive analyst will add value to your organization by developing greater job satisfaction for, and thereby loyalty from, your employees. Additional value may also be added by seeking professional resources for structured training and reinforcing Lease Records fundamentals through mentor/mentee relationships.

Throughout process evaluations and training be cognizant of opportunities to reallocate personnel while allowing roles and responsibilities to naturally evolve as skill sets develop and natural leaders emerge. Also be aware that providing immediate and ongoing feedback during times of transition is critically important. Performance will improve if employees understand how their roles relate to company success and stakeholder satisfaction. Make sure your team has the skill, knowledge, confidence and commitment to perform during times of change.

Transactions

By applying effort to maximizing efficiency while reallocating staff and achieving data integrity goals, you will be better positioned when activity levels spike. Being proactive rather than reactive during downtimes contributes to this state of readiness.

Your company may choose to capitalize on low commodity prices by supplementing their position in existing areas within their portfolio, finding another attractive play altogether or perhaps divesting an area no longer in line with the organization's long-term objectives.

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Whatever the motivation, rest assured transaction levels will increase, which challenges those responsible for closing the deal and maintaining the newly acquired assets, or for preparing assets for sale. A transaction “check list” that includes an emphasis on data and documents will help you succeed in adding value to your company. If you do not have a check list, now is an opportune time to create one. While each deal is unique, there will be tasks that are consistent with each transaction.

Further, having the expectation that you will receive the most complete and accurate data from a seller is unrealistic. A team of skilled Business, Land, Lease and Data Analysts who evaluate data and make necessary corrections before conversion will maximize efficiency that could be lost if attempting to clean up one record at a time within the system after conversion. These analysts can correct basic data anomalies and condition the data to be consistent with your company’s business rules. Still, there will be time constraints and unavoidable gaps in data that transcend the implementation schedule, making post-conversion edits unavoidable. Source documents and documents detailing historical edits from the seller are great references to accompany your assets.

Consider that it may be advantageous to hire a consulting firm to spearhead the acquisition implementation to allow your staff to remain focused on daily tasks, as well as to help your company leverage the experience and prior successes of the consultant. An added benefit is that a consulting firm is able to scale up or down according to your needs, maximizing the benefit to cost ratio. Whether or not your company leverages a third party consultant, key company personnel must be involved to some extent in any project for streamlining efforts, knowledge acquisition and future implementation.

Closing

Now is the time to demonstrate that not only can your company roll with the punches, but that value can be created during a time when it is needed most. Change can be frightening, but capitalizing on change is where great opportunities are born and realized for those willing to seize the moment. Learning from past experiences, being open to new ways of doing things, knowing when to ask for outside help and resisting the urge to revert back to old habits when hectic times return will set your company up for great success.

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