

An oil and gas company gets lean to fuel significant savings.

Client:

A notable midstream oil and gas supply and logistics company sought help streamlining operations after a period of aggressive acquisitions.

Challenge:

At a time when the price of oil was half of what it used to be and natural gas prices had plummeted, this midstream oil and gas company needed a new structure to remain competitive. After a series of acquisitions, the company had grown quickly in scale and was top-heavy on personnel and overhead. To further complicate matters, producers were opting to spend less on moving their reserves as a result of being hit directly by oil price increases. This resulted in a margin decrease and revenue drop for our client. Given the organization's overinflated size, the situation quickly escalated into a crisis.

Process:

Rather than transfer the burden to customers and shareholders, the client tasked us with streamlining operations and eliminating unnecessary elements and tasks to make the company leaner and more efficient. We started by focusing on workforce reductions that would have a significant impact on second- and third-quarter earnings. We noted the organization had too many managers and supervisors. In one division, a supervisor might be responsible for up to 25 people. In another, a similar supervisor would oversee just six subordinates. To better balance the workforce, we used span of control diagnostic tools, looked at current organizational charts, interviewed managers, defined essential business tasks and separated core activities from less essential items.

Next, we focused on eliminating unnecessary work flows. Some tasks needed to be tied into the overall operating framework to increase their efficiency. Our team also focused on streamlining essential business processes that weren't naturally absorbed after the acquisitions. By optimizing processes, we positioned the company to operate at optimal efficiency.

To drive operating expenditure reductions, we used process mapping to depict current processes. Employing lean methodology, we worked with the process owners to identify and correct gaps. We found ways to optimize transit tasks by reducing the amount of time spent driving between sites.

We then applied the same logic to the pipeline management operating system. With hundreds of assets and thousands of tasks, our client needed a better way to schedule

the tasks of measurement technicians. By rotating pumps and valves, inspecting pipes, checking for corrosion, checking for deformation and looking for leaks, we identified the best way to manage these functions via work orders. Given the high level of regulatory scrutiny in this industry, accuracy and accountability were of paramount importance. Failing to adhere to regulatory standards would result in further inspections and fines.

We helped our client schedule their pipeline operators and divide areas of responsibility into zones with defined travel times between them. We also created a tool to re-sequence tasks and minimized travel time by implementing a call-in process. After operators completed tasks, supervisors could monitor the results and investigate potential delays

Performance Results:

- Workforce reductions saved \$7.5 million
- Operating expenditure decreased by \$7.7 million
- Expenses were reduced by \$15.2 million

Conclusion:

We helped the client realize impressive improvements in process management and significant cost savings. By streamlining the company's activities and workforce, we repositioned it as a lean organization after its period of acquisitions.

The company achieved better oversight of workers, more effective execution of measurement activities and better overall scheduling. Even with a reduction in the workforce, our client maintained the same level of production. When the price of oil begins to appreciate, the company will be well-positioned to use its new and expanded capability to meet market demand, stay compliant and deliver better value to its customers and shareholders.