

Do You Know Where Your Data Is?

Managing a Data Conversion

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HADOA Luncheon Seminar
September 2, 2010

***Special Thanks to Elizabeth L. Nolan, CDOA, CPLTA, CMM
Who Helped with the Development of this Paper***

PLANNING FOR THE DATA CONVERSION

- As oil companies acquire additional properties and technology continues to change, a company's data system is never stagnant – it is constantly evolving.
 - This is especially true for Ownership and Payment Records on producing oil and gas properties.
 - The Division Order Analyst should be particularly involved in the Data Conversion Process, whether it is the result of a property acquisition or an internal system update.
- We will look at how this Data Conversion Process can be managed
 - First – Conversion involving an Acquisition
 - Second – Internal System Update

PLANNING FOR THE DATA CONVERSION

Acquisition Issues

- Before data can actually be converted / translated to your company's system, it is necessary to begin with an analysis of –
 - Circumstances involving the acquisition
 - Documents governing the terms of the purchase of the properties
 - Unique situations or agreements pertinent to these properties.

PLANNING FOR THE DATA CONVERSION

Acquisition Issues

- Terms of Purchase and Sale Agreement
 - Be familiar with the terms of the Purchase and Sale Agreement and any Side Agreements for the ongoing maintenance of the properties
 - Is this an acquisition of properties / assets or an acquisition of an entire company?
 - This may have an impact on what data your company receives
 - Some companies have a 'sale data package' for a sale of specific properties

PLANNING FOR THE DATA CONVERSION

Acquisition Issues

- Meeting with the Due Diligence Team
 - Did they discover anything that should be considered “red flags”?
 - For example – payment / ownership records that appear to be incorrect? Leases that may be expired due to lack of production, shut-in payments not paid, etc.?
 - Did they discover any properties that require special handling?
 - For example – MMS, State Royalties, Exemptions, etc.
 - Did they discover any properties that have unusual marketing arrangements, such as calls on production, etc.?
 - If any of the ‘majors’, such as -- Humble, Exxon, Mobil, Shell, Gulf, Chevron, etc. are in the Chain of Title, there is probably a call on the oil production
 - This will make a difference in how payment records are set up

PLANNING FOR THE DATA CONVERSION

Acquisition Issues

- Meeting with the Division Order and / or Accounting Department from both companies
 - Business practices for the department, as well as overall company business practices
 - System / Information Flow within each company
 - For example, are contracts handled by the Lease Records Department of one company, but handled by a separate Contracts Administration Department at the other?
 - Are the JIB decks set up by Accounting at one company, but set up by Division Orders at the other?
 - Overview of the current Division Order, Land and/or Accounting Systems (including DOI's, Contracts, Leases, Revenue DOI's)
 - Communication Lines Should Remain Friendly and Open

PLANNING FOR THE DATA CONVERSION

Acquisition Issues

- Personnel Dedicated to Project
 - Who will you have available now and after acquisition is brought in-house?
 - Full-time
 - Contract
 - Programmer
 - Future Staffing Needs
 - List of Key Personnel for both companies, including phone numbers and email addresses

PLANNING FOR THE DATA CONVERSION

Acquisition Issues

- Deadlines / Budget Constraints
 - Time Line
 - Objectives
 - Cost Effectiveness of an Actual Conversion
 - How will the data be brought in – spreadsheet, direct data conversion or manually?
 - Who will actually convert the data – a software company, in-house personnel or an outside third party? Will the conversion process require a combination of two or more of the above?
 - If using an outside third party – be sure to check references and learn how familiar they are with each of the systems

PLANNING FOR THE DATA CONVERSION

Acquisition Issues

- System Constraints

- Will the capability of a “test” environment be available on your company’s system?
- Will the addition of these properties to your current system require the purchase of additional servers or other hardware?
- Will the addition of these properties to your current system require the purchase of additional software or additional software license?

PLANNING FOR THE DATA CONVERSION

Acquisition Issues

- Location / Types of Properties

- Are these properties located in a State in which your company has not previously done business? Will this require additional training / education for your current staff?
- Do the state statutes dictate certain payment constraints / time frames, etc.?
- Will state and/or federal reporting be required?
- If your company already owns an interest in any of these acquired properties, how will the “new” interest be integrated into your system – separate, added to existing records, etc.?
- Will all of these properties be company leasehold? Or, will your company be acquiring disbursement responsibilities on Non-Interest Properties? Will there be any special handling required for these Non-Interest Property(s)?

PLANNING FOR THE DATA CONVERSION

Acquisition Issues

- Historical Data
 - Files
 - Hard Copy
 - Electronic
 - Suspense Revenues
 - Who receives / keeps suspended funds?
 - Will you have a chance to evaluate these suspended funds?
 - What about suspended funds that didn't release or transfer from a historical Owner?
 - Are these records "real" money?
 - Are all suspense records in the same system?
 - Has the prior company gone through prior system conversions and/or acquisitions that has now caused suspended funds to be in multiple systems?
 - Does the prior company have records for separate companies in separate systems?
 - Does the prior company have records stored for multiple companies by company code?
 - Can your company receive an electronic history?

DATA CONVERSION

Name & Address Records

- Data Mapping
 - How does the Name and Address System for each company work?
 - Is there “smart numbering” in place?
 - Are there codes to designate a special use, such as Revenue, Lease Rental, etc.?
 - If so, are there certain designated uses that you would not want to pull?
 - Screen Prints from Each System
 - Is the field name different in the code tables from what is reflected on the actual screen?
 - Translation of Codes
 - Number of Characters per Field
 - Will you have the opportunity to change how the data looks?
 - For example, does your System require ALL CAPS?
 - For example, the order of the owner’s name in the name field, etc.
 - Required Fields for each system
 - Special Handling Flags
 - Stop Payment
 - Suspense
 - Check Pull
 - Minimum Payment Flags
 - Annual Payment Only
 - Issue a Check based on a Certain Dollar Amount
 - Issue a Check within a Specified Time Period as Set Out in the Oil and Gas Lease
 - Detailed and Specific Instructions – “Data Map” for the Programmer

DATA CONVERSION

Name & Address Records

- Plan for Extracting the Data
 - Narrow the Extraction to *Only* the Applicable Properties
 - How can you compare the Name and Address Records to the records needed for the Applicable Properties?
 - Can the extraction be limited to only Active Owners?
 - Can it be determined if suspended funds are tied to Inactive Owners?
- Match with your Company's Current Existing Name and Address Data Base
 - Social Security Number / Tax Identification Number
 - Visual and/or Manual Match
 - Electronic Match via Tax ID Match and Character Recognition of Name
- Add Additional Owner Numbers as Needed
- Block of Owner Numbers
 - Does your Company have the capability and/or business need to assign a Block of Owner Numbers for a specific acquisition?

DATA CONVERSION

Name & Address Records

- "Test" Environment
 - Will you have access to a 'Test' Environment that is an exact Mirror of the Production Environment?
 - Is it possible to initially convert portions of data through "test" to verify that data mapped correctly?
 - Will this "test" be used for all data or just a selected sample?
 - Can the "test" be copied into production? Or, will it require that the entire load process be repeated for production?

DATA CONVERSION

Name & Address Records

- Final Comparison of Name and Address Records
 - Have the programmer create a report that allows you to view the Old Name and Address Record with the “New” Cross-Referenced Account Number on your company’s system
 - One-on-one, Side-by-side Comparison of Full Name and Address in the “before” and “after”
 - Can this be accomplished electronically via character recognition?
 - Will this require a manual review?
 - Allows comparison of accounts that were matched solely on Social Security Number or Tax Identification Number that are not exact matches – For example, John Smith and wife, Mary Smith vs. John Smith (individually)

DATA CONVERSION

Name & Address Records

- Counts

- How many records were there before the “load”?
- How many records are there after the “load”?
- If more or less, can this be explained and verified as correct?

DATA CONVERSION

Name & Address Records

- **HELPFUL HINT:**

- Find a Place to Designate the “Old” Owner Number, even if on a spreadsheet that is on a Company Share Drive.

DATA CONVERSION

Division of Interest / Ownership Records

- Data Mapping
 - Review of sample data
 - Meetings with Division Order and Accounting staff regarding data / systems
 - Business practices for the department, as well as overall company business practices
 - System / Information Flow within each company
 - Overview of the current Division Order, Land and/or Accounting Systems -- i.e. how does their system work?
 - Is their system set up so that data is entered in one section but populates / feeds into multiple places in the system?
 - For example, well name, legal description, producing tract on the Lease Records system that calculates the DOI, etc.?
 - Are the DOI's to be considered actual title ownership or Accounting DOI's? If inflated, can these be easily identified / recognized?
 - Are there any unusual payment arrangements on any of the properties?
 - How is it reflected on their system?
 - Is there anywhere in their system that can change a pay code other than the DOI?
 - How are split-stream marketing arrangements reflected on their system?
 - If there are multiple DOI's for a property or a specific tract within a unit, this may be a designation of split stream marketing.
 - Will their system allow "off-line" settlements that would be handled by the Accounting Department?
 - In other words, will their system allow a payment without the benefit of a DOI?

DATA CONVERSION

Division of Interest / Ownership Records

- Does their system calculate the DOI, based on Burden Ties? Or, are the decimal interests physically entered into their system?
- Does their system have the ability to indicate Burden Ties?
- Rounding Issues – How far does their system calculate and to what decimal place does it round? Is this compatible with your company's system rounding calculations?
- Screen Prints from Each System
- Translation of Codes / Fields
- Number of Characters per Field
 - Will you have the opportunity to change how the data looks? For example, Upper and Lower Case to ALL CAPS; Order of Owner's Name, etc.
 - Required Fields for each system
 - Special Handling Flags for exemptions, different payment arrangements, etc.
- Does your company's system require validation / approval of records?
 - Will this step need to be programmatically included in the data load process?
 - Will this have to be done manually?
- Specific and Detailed Instructions – Data Map – for the Programmer

DATA CONVERSION

Division of Interest / Ownership Records

- Plan for Extracting the Data
 - Narrow the Extraction to Only the Applicable Properties
- Analysis of DOI Data to determine current DOI's to load
 - DOI's Used within the last 12 to 24 months
 - Review of DOI Name for references to "Canceled", "Use ...", "Accounting Adjustments Only", etc.
 - Result = "Working Set"
- Do all DOI's total 100%? If not, why?

DATA CONVERSION

Division of Interest / Ownership Records

- Special Handling DOI's
 - How does each System handle Ownership / Payment Records for
 - - Unleased Owner / Interests
 - Unsigned / Non-ratified Owners Within the Boundaries of a Producing Unit
 - Forced Pooled Owners
 - Carried Working Interests
 - Net Profits Interests
 - Entitlement
 - Sliding Scale Royalties
 - Special Payment Arrangements per Oil and Gas Lease Terms or Settlement Agreement
 - Litigation

DATA CONVERSION

Division of Interest / Ownership Records

- Tract Participation Data
 - Verification / Match with Unit Agreement
 - Verification of “Matched” Tract Pars with the System Tract Pars provided
 - Verification that Tract Pars in Marketing Data are in sync with DOI / Accounting Records
 - This is especially important for units whose tract pars change with different phases of production
 - This can make a difference in pipeline allocations
 - If discrepancies, can these be easily explained?

DATA CONVERSION

Division of Interest / Ownership Records

- Marketing Data
 - Confirmation and review of how split-stream marketing is indicated on their system
 - Verification that the following matches:
 - Marketing Percentage for each well / tract within a unit as “nominated” by your company’s Marketing Department
 - Total Accountability Decimal / Receiving Interest on the Division of Interest
 - Total Percentage of Production Proceeds Received by Accounting
 - Confirmation of who previously held the Basic Division Order
 - Who previously paid the Owners?
 - Predecessor in Title?
 - Purchaser of Production?
 - Verification of how marketing / payment of proceeds will be handled subsequently by your company
 - If Purchaser of Production previously paid all burdens, you may not receive a full 100% DOI
 - If your company historically markets 100% and pays all burdens, confirm from whom you should obtain full and complete DOI

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DATA CONVERSION

Division of Interest / Ownership Records

- Counts

- How many records were there before the “load”?
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- If more or less, can this be explained and verified as correct?

DATA CONVERSION

Division of Interest / Ownership Records

- **HELPFUL HINT:**

- Find a Place to indicate the “Old” Property Number, even if on a spreadsheet that is on a Company Share Drive.
- It is possible that your system may not have a place for all data fields from the “old” system.
 - Try to work with the Programmer to design a shared table or spreadsheet so that this data is not lost.

PLANNING FOR THE DATA CONVERSION

IN-HOUSE SYSTEM UPGRADE / CONSOLIDATION OF SYSTEMS

- The advantage of an In-House System Upgrade is that you are already familiar with the data
- However, it does require all the Data Mapping steps that are involved in the Data Conversion process for an acquisition

PLANNING FOR THE DATA CONVERSION

IN-HOUSE SYSTEM UPGRADE / CONSOLIDATION OF SYSTEMS

- Name & Address Records
 - Will you continue using your separate Name & Address System?
 - Will you be consolidating with another In-House System?
 - If so, will this require a 'Match Process'
 - Will you be able to keep the prior Owner Numbers?
 - Can you assign a Block of Numbers for the Converted Records?
 - Will this require a conversion to the New System?
 - Is the Name & Address System separate?
 - Is the Name & Address System housed in the Division Order System?
 - Is there an option to choose?
 - Will you be able to keep the prior Owner Numbers?

DATA CONVERSION

IN-HOUSE SYSTEM UPGRADE / CONSOLIDATION OF SYSTEMS

- Data Mapping for the Name & Address In-House Conversion
 - How does the Name and Address System for each System work?
 - Is there “smart numbering” in place?
 - Are there codes to designate a special use, such as Revenue, Lease Rental, etc.?
 - If so, are there certain designated uses that you would not want to pull?
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DATA CONVERSION

IN-HOUSE SYSTEM UPGRADE / CONSOLIDATION OF SYSTEMS

- Division of Interest / Payment Records
 - Decisions as to what will convert
 - Historical DOI's
 - Current Ownership only

 - Will the 'old system' be available for historical data?
 - Chain of Title
 - Update History

DATA CONVERSION

IN-HOUSE SYSTEM UPGRADE / CONSOLIDATION OF SYSTEMS

- Data Mapping for In-House Conversion of Division of Interest / Payment Records
 - Overview of the current Division Order, Land and/or Accounting Systems -- i.e. how does each system work?
 - Screen Prints from Each System
 - Translation of Codes / Fields
 - Is the system set up so that data is entered in one section but populates / feeds into multiple places in the system?
 - For example, well name, legal description, producing tract on the Lease Records system that calculates the DOI, etc.?
 - Are there any unusual payment arrangements on any of the properties?
 - How will it be reflected on the new system?
 - How are split-stream marketing arrangements reflected in the new system?

DATA CONVERSION

IN-HOUSE SYSTEM UPGRADE / CONSOLIDATION OF SYSTEMS

- Does the new system have the ability to indicate Burden Ties?
 - Can the burden ties from your old system be converted?
- Rounding Issues – How far does the new system calculate and to what decimal place does it round? Is this compatible with your company's system rounding calculations?
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SUMMARY / QUESTIONS

- While a Data Conversion may seem to put 'years of experience' under your belt in a short period of time, planning and planning some more will make this process as less painful.
- As "Special Agent Gibbs" says – Anticipate!!