



“The implemented solutions are quite different to what we had in the past and we’ve introduced a process orientation, improved structure and we have seen good progress of building this new Material Management capability.”

**Amri Sihaan**  
**VP Government Affairs & Business Support**

### Key Results

Improved visibility on item quantity and location across six warehouses

Developed and implemented min/max and re-order point model

Created the basis for improving physical vs system material variance management

Implemented new processes, procedures and a Management Control System

## Premier Oil Warehousing

Reducing production downtime by increasing material management

Premier Oil Natuna Sea (PONS) is a growing oil and gas producer in Indonesia. With its recent expansion into new fields, now including two offshore platforms, PONS will become the major supplier of gas to Singapore. The Natuna Sea Block A licence was obtained by Sumatra Gulf Oil in 1979. Oil production from the Anoa field began in November 1990 from nine platform wells located in the East Lobe. Following the acquisition of Sumatra Gulf Oil in 1996, additional development was undertaken with the installation of the processing and compression Anoa Gas Export platform and the West Natuna Transportation System (WNTS) pipeline for gas export

### PROJECT SCOPE

The focus of the project was to increase the efficiency and effectiveness of the six warehouses, three of which are offshore. The plan was to improve the materials management processes and installing a management control system to improve material transparency and inventory accuracy whilst reducing production downtime risks.

### PROJECT APPROACH

The project was structured into three work streams:

- Develop and implement a management control system (MCS) and enhance the existing processes with associated procedures;
- Create a re-order point system based on actual fulfillment lead times, safety stock levels and usage;
- Improve the accuracy of stock within the JD Edwards reporting system.

The project was executed in two phases. Phase 1 was awarded to Renoir, to be conducted over a 21 week period which would result in a detailed roadmap, ready for roll-out by a specially trained Premier Oil team.

During the first phase, the objectives included:

- Setting up a cross functional team to be responsible for identifying current materials usage and re-order points for critical sub systems;
- Identifying actual consumables, spares and critical parts across the six warehouses and then providing a process for Finance to reconcile the actual assets;
- Developing and implementing an MCS with associated procedures and new end to end material management processes.

### Re-order point model

This work stream focused on creating a realistic ROP model, where source data was collected using historical records, technical expertise, reference manuals and supplier information.

This was carried out for the 10 most critical production sub-systems. The data was gathered and refined through multiple review sessions whilst removing duplications, establishing historical usage and lead times and creating KIMAP numbers (material identification codes), where none existed.

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“Renoir was systematic in improving our production management control system.”

**Forrest Zhang**  
**Plant General Manager**

These templates will be used during phase 2 of the project to capture re- order data for all equipment sub systems. They will enable the organisation to categorise and update its inventory management system with min/max and re-order data that will trigger re-ordering, thus reducing the risk of inventory shortages, obsolescence and potential production downtime.

**Stock transparency**

A complete stock count was designed and executed to aid the process of identifying quantities by type of item at both onshore and offshore locations.

Three key elements were implemented for this work stream including:

- Implementing a stock counting and tagging process with training and conducting physical count;
- Developing stock taking data summary and variance determination templates across the locations to understand the reason for variances and determine the current variances within the system data;
- Facilitating the process of physical and financial reconciliation.

This has allowed the Finance Department to reconcile all the actual stock.

**Management control system, processes and procedures and further development**

The material management processes were mapped to identify opportunities for improvement and to ensure that moving forward, all stock items would be managed correctly to reduce the risk of stock-outs and therefore, production losses. These processes were critiqued and then when agreed, implemented, to close gaps. Procedures were developed to ensure the understanding of and sustainability, of the new processes.

Other processes such as improved housekeeping practices and closer management supervision over warehouse activities were also introduced.

To guarantee understanding and usage, training sessions were held at all locations, followed by extensive coaching to ensure sustainability. Role clarity and responsibilities across the new material management process were documented and improved.

Trackers were implemented to audit compliance with the implemented solutions:

These processes and procedures provided the organisation with standardised best practices across all warehouses, the building of a culture of continuous improvement and a more responsive Material Management service, to all users of material.

A roadmap was created and handed over to Premier Oil. This detailed the activity schedules required for a successful Phase two. Carried out by the trained Premier project team, their skills were to train and coach users of the new material management system, in order to sustain and improve the implemented solutions.

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