Interoffice Communication

To R. A. Conrad - Houston

From J. A. DeBernardi

Date July 25, 1977

Subject Refinery Accounting Bulletin - OMS Changes

Following are a few comments related to the subject bulletin:

1) Unit of property definition on piping is unnecessary. Piping as shown on present asset registers as a lump seems a better method. The idea that piping under 500 ft. in length is now part of a pump, vessel, tower or tank also appears unacceptable. Piping is piping--not a tank or a pump. Considerable manpower will be required to redo all asset registers for plant in this manner if that is the intent. In fact, it may turn out to be an impossible task to do accurately.

2) Our information related to catalyst purchase for a capital project contradicts that shown in letter. We have been told by Ben Johnson that catalyst, at any time, is an expense to be included in variable cost budgets--not capitalized with a project.

3) It appears that anything that is added to an existing unit of property must be capitalized either on a capital work order or AFE dependent on amount. This would seem to say that a pressure gauge added to a nozzle on a tower, or a sample point put on a pipeline will require paper to cover it. I foresee a considerable increase in proper work at the plant level to document this system. For example, the closure report for Miscellaneous Projects Under $10,000 could have a considerable amount of paper attached documenting $20 or $30 jobs charged to it by capital work orders.

4) It would appear that unexpected problems not included in the plant's Capital Budget items for OMS under $10,000, or over $10,000, could take a large bite out of unallocated capital funds under the new system.

5) Overall it appears the new bulletin was put together to serve accounting needs with little or no real world thinking, or plant input.

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