

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

PRECISION DRILLING CORP
Form 6-K
July 30, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO SECTION 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934

For July 29, 2004

Commission File Number: 001-14534

PRECISION DRILLING CORPORATION
(Exact name of registrant as specified in its charter)

4200, 150 - 6TH AVENUE S.W.
CALGARY, ALBERTA
CANADA T2P 3Y7
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1). _____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

registrant in connection with Rule 12g3-2(b): 82- N/A.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRECISION DRILLING CORPORATION

Per: /s/ Jan M. Campbell

Jan M. Campbell
Corporate Secretary

Date: July 29, 2004

Calgary, Alberta, Canada - July 29, 2004

PRECISION DRILLING CORPORATION ANNOUNCES IMPROVED SECOND QUARTER EARNINGS

Precision Drilling Corporation ("Precision" or the "Corporation") today announces improved results for the quarter ended June 30, 2004 compared to the same quarter in 2003. Diluted earnings per share from continuing operations were \$0.29 compared to \$0.16 in 2003. Diluted net earnings per share were \$0.28 in the second quarter of 2004 compared to \$0.16 in 2003. Earnings from continuing operations and net earnings were both increased in the second quarter of 2004 by a \$4.4 million (\$0.05 per share) foreign exchange gain on temporary bank borrowings incurred in connection with business acquisitions completed in the quarter.

During the quarter the Corporation completed the acquisition of Reeves Wireline Ltd. and the land drilling business of GlobalSanteFe for US \$164.9 and US \$316.5 respectively. The GlobalSanteFe acquisition added a drilling operation complete with experienced people, 31 well-maintained rigs and operating contracts in five countries, transforming Precision into the third largest player in the international market. Reeves' unique Compact(TM) wireline technology will allow Technology Services to service a broader market, particularly in the more mature oilfields throughout the world.

To finance these acquisitions, the Corporation completed in May a public offering of US \$300 million, 5.625% Notes due in 2014 and in July a public offering of 4,000,000 common shares for gross proceeds of approximately US \$200 million. In conjunction with the Notes offering the Corporation sought and received a rating of Baa2 (positive outlook) from Moody's to complement its Standard & Poors rating of BBB+ (stable outlook) and its Dominion Bond Rating Service rating of BBB (stable trend). With these transactions Precision

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

maintains its strong balance sheet allowing the continuance of our internal growth initiatives and the exploration of acquisition opportunities as they arise.

Contract Drilling revenue increased by 31 % in the second quarter compared to the same period last year while operating earnings increased by 114%. The increase in operating earnings as a percentage of revenue was driven primarily by year over year drilling and service rig rate increases in the Canadian market. Operating efficiency initiatives undertaken in the service rig operation have also lead to cost savings. International drilling operations saw activity increase with two rigs being added in Mexico, increased activity in Venezuela, and with the acquisition of 31 rigs.

The Canadian Drilling rig fleet achieved 5,297 operating days for a 26% utilization rate in the quarter compared to 5,605 operating days and a 27% utilization rate in the comparable quarter of the prior year. Activity was slowed by wet weather which rendered ground conditions unsuitable for well site construction and equipment transportation.

Service rig hours increased by 3,968 or 5% in the second quarter of 2004 compared to the same quarter of 2003. The increased activity occurred in the northwestern portion of our operating area where customers were more willing to transport rigs to complete work to take advantage of sustained high crude oil and natural gas prices. This was offset somewhat by lower activity in the southeastern portion of our operating area as a result of wet weather conditions.

Technology Services revenue increased by 26% to \$179.6 million from \$142.7 million in the second quarter of 2003. The increase is attributable to improving activity levels in the US market, the commencement of new contracts in the Asia Pacific region, more wells being completed on the Burgos integrated services project and the acquisition of Reeves Wireline in May. These improvements were offset somewhat by reductions in Canada and the non-Burgos operations in Mexico.

Operating earnings, however, declined by \$2.8 million in the second quarter compared to the same period in 2003. Activity levels in Canada were curtailed by wet weather conditions and the operation was unable to maintain winter pricing levels. This operation has significant fixed costs that can not be quickly adjusted downward when revenue expectations are not met and when operating capability must be maintained to meet the high demand for service that is expected to return when weather permits. The region also incurred higher repair and maintenance costs in anticipation of a speedier pick up in activity. Non-Burgos operations in Mexico also suffered in comparison to the prior year as contracts for Testing/CPD and Drilling Services came to an end.

Elsewhere, there were encouraging signs especially in Burgos, Asia/Pacific and United States where revenue and operating earnings grew, compared to the prior year.

Research and engineering expense rose year over year as increased resources have been put towards completing the design, testing and build out of the Rotary Steerable tools in various hole sizes. R&E associated with the Reeves acquisition is also reflected for the first time. Depreciation increased in line with the continued build out of the logging-while-drilling (LWD), measurement-while-drilling (MWD) and rotary steerable fleets.

Rental and Production revenue declined by \$7.5 million or 12% in the second quarter compared to the second quarter of 2003. This decrease stemmed from the

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

industrial plant maintenance business which experienced a slowing of activity with our Fort McMurray area oilsands customers who delayed or cancelled several projects. Activity in the rental operation was relatively consistent year over year with rental rates improving somewhat.

Certain statements contained in this press release, including statements which are related to drivers for improved earnings, customer requests for services and drilling activity and which may contain words such as "anticipate", "could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performance or achievements of Precision to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such factors include fluctuations in the market for oil and gas and related products and services; competition; political and economic conditions in countries in which Precision does business; the demand for services provided by Precision; changes in laws and regulations, including environmental, to which Precision is subject and other factors, which are described in further detail in Precision's filings with the Securities and Exchange Commission.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

CDN \$000's, EXCEPT PER SHARE AMOUNTS (UNAUDITED)	THREE MONTHS ENDED JUNE 30,		
	2004	2003	
Revenue	\$ 418,691	\$ 345,641	\$ 1,0
Expenses:			
Operating	297,970	255,072	6
General and administrative	42,287	32,988	
Depreciation and amortization	41,923	35,022	
Research and engineering	12,374	8,746	
Foreign exchange	(5,298)	547	
	389,256	332,375	8
Operating earnings	29,435	13,266	2
Interest	10,706	8,943	
Gain on disposal of investments	(42)	(1,164)	
Earnings from continuing operations before income taxes and non-controlling interest	18,771	5,487	1
Income taxes:			
Current	19,954	11,543	
Future	(17,805)	(15,333)	
	2,149	(3,790)	

Earnings from continuing operations before

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

non-controlling interest	16,622	9,277	1
Non-controlling interest	429	280	

Earnings from continuing operations	16,193	8,997	1
Discontinued operations, net of tax	(198)	(375)	

Net earnings	15,995	8,622	1
Retained earnings, beginning of period	894,798	696,934	7
=====			
Retained earnings, end of period	\$ 910,793	\$ 705,556	\$ 9
=====			
Earnings per share from continuing operations:			
Basic	\$ 0.29	\$ 0.17	\$
Diluted	\$ 0.29	\$ 0.16	\$
=====			
Earnings per share:			
Basic	\$ 0.29	\$ 0.16	\$
Diluted	\$ 0.28	\$ 0.16	\$
=====			
Common shares outstanding (000's)	55,909	54,399	
Weighted average shares outstanding (000's)	55,871	54,325	
Diluted shares outstanding (000's)	56,549	55,203	

CONSOLIDATED BALANCE SHEETS

CDN \$000's	JUNE 30, 2004
	(UNAUDITED)
ASSETS	
Current assets:	
Cash	\$ 40,715
Accounts receivable	527,751
Inventory	110,589
Assets of discontinued operations	--

	679,055
Property, plant and equipment, net of accumulated depreciation	1,930,803
Intangibles, net of accumulated amortization	158,161
Goodwill	771,639
Other assets	14,571

	\$ 3,554,229
=====	

LIABILITIES AND SHAREHOLDERS' EQUITY

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Current liabilities:	
Bank indebtedness	\$ 71,795
Accounts payable and accrued liabilities	269,322
Income taxes payable	23,209
Current portion of long-term debt	13,553
Liabilities of discontinued operations	--

	377,879
Long-term debt	905,181
Future income taxes	354,112
Future income taxes of discontinued operations	--
Non-controlling interest	13,303
Shareholders' equity:	
Cumulative translation adjustment	1,231
Contributed surplus	17,260
Share capital	974,470
Retained earnings	910,793

	1,903,754
=====	
	\$ 3,554,229
=====	
Common shares outstanding (000's)	55,909
Common share purchase options outstanding (000's)	2,408

CONSOLIDATED STATEMENTS OF CASH FLOW

CDN \$000's (UNAUDITED)	THREE MONTHS ENDED		
	JUNE 30,		
	2004	2003	
Cash provided by (used in):			
Continuing operations:			
Earnings from continuing operations	\$ 16,193	\$ 8,997	\$ 1
Items not affecting cash:			
Stock-based compensation	1,898	2,254	
Depreciation and amortization	41,923	35,022	
Gain on disposal of investments	(42)	(1,164)	
Future income taxes	(17,805)	(15,333)	
Non-controlling interest	429	280	
Amortization of deferred financing costs	360	322	
Unrealized foreign exchange loss (gain) on long-term monetary items	(3,514)	(8,267)	

Funds provided by continuing operations	39,442	22,111	2
Changes in non-cash working capital balances	162,697	146,236	
=====			
	202,139	168,347	2

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Funds provided by (used in) discontinued operations	(695)	(1,821)	
Changes in non-cash working capital balances of discontinued operations	(5,473)	3,831	
	(6,168)	2,010	
Investments:			
Business acquisitions	(658,212)	--	(6)
Purchase of property, plant and equipment	(55,253)	(91,657)	(1)
Proceeds on sale of property, plant and equipment	6,533	6,909	
Proceeds on disposal of investments	48	7,620	
Proceeds on disposal of discontinued operations	15,000	6,914	
Investments	(1,340)	(115)	
	(693,224)	(70,329)	(7)
Financing:			
Increase in long-term debt	520,873	--	5
Repayment of long-term debt	(6,898)	(135,731)	(1)
Deferred financing costs on long-term debt	(4,985)	--	
Issuance of common shares on exercise of options	6,236	3,940	
Change in bank indebtedness	2,533	16,023	(1)
	517,759	(115,768)	4
=====			
Increase (decrease) in cash	20,506	(15,740)	
Cash, beginning of period	20,209	26,697	
=====			
Cash, end of period	\$ 40,715	\$ 10,957	\$
=====			

SEGMENT INFORMATION

THREE MONTHS ENDED JUNE 30, 2004 CDN \$000's (unaudited)	Contract Drilling	Technology Services	Rental and Production	Corpo and O
Revenue	\$ 182,739	\$ 179,604	\$ 56,348	\$
Operating earnings	41,319	(13,189)	9,613	(8)
Research and engineering	--	12,374	--	
Depreciation and amortization	14,734	22,733	3,271	1
Total assets	1,774,647	1,515,784	177,471	86
Goodwill	387,265	355,772	28,702	
Capital expenditures*	22,334	23,714	3,020	6

THREE MONTHS ENDED JUNE 30, 2003 CDN \$000's (unaudited)	Contract Drilling	Technology Services	Rental and Production	Corpo and O
Revenue	\$ 139,082	\$ 142,727	\$ 63,832	\$

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Operating earnings	19,298	(10,430)	14,190	(9
Research and engineering	--	8,746	--	
Depreciation and amortization	12,660	18,193	2,973	1
Total assets	1,274,722	1,225,377	178,104	60
Goodwill	257,531	241,340	28,572	
Capital expenditures	21,698	61,180	3,345	5

SIX MONTHS ENDED JUNE 30, 2004 (1) CDN \$000's (unaudited)	Contract Drilling	Technology Services	Rental and Production	Corpo and O
Revenue	\$ 569,990	\$ 406,818	\$ 107,048	\$
Operating earnings	189,927	16,604	19,354	(23
Research and engineering	--	24,188	--	
Depreciation and amortization	39,091	43,388	6,573	2
Total assets	1,774,647	1,515,784	177,471	86
Goodwill	387,265	355,772	28,702	
Capital expenditures*	39,535	49,437	9,465	10

SIX MONTHS ENDED JUNE 30, 2003 CDN \$000's (unaudited)	Contract Drilling	Technology Services	Rental and Production	Corpo and O
Revenue	\$ 474,394	\$ 345,764	\$ 113,453	\$
Operating earnings	123,823	2,668	22,461	(16
Research and engineering	--	17,645	--	
Depreciation and amortization	38,273	36,946	6,292	2
Total assets	1,274,722	1,225,377	178,104	60
Goodwill	257,531	241,340	28,572	
Capital expenditures*	29,996	121,208	7,194	9

*EXCLUDES BUSINESS ACQUISITIONS

(1) CERTAIN EXPENSES HAVE BEEN RECLASSIFIED FROM GENERAL AND ADMINISTRATIVE EXPENSES TO BE MORE APPROPRIATELY INCLUDED IN RESEARCH AND ENGINEERING.

CANADIAN DRILLING OPERATING STATISTICS

FOR THE SIX MONTHS ENDED JUNE 30, 2004

	Precision	Industry*	Market Share %	Precision
Number of drilling rigs	225	683	32.9	226
Number of operating days (spud to release)	20,065	63,735	31.5	20,246
Wells drilled	3,530	9,964	35.4	3,496
Average days per well	5.7	6.4		5.8
Metres drilled (000's)	3,799	10,882	34.9	3,643

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Average metres/day	189	171	180
Average metres/well	1,076	1,092	1,042
Rig utilization rate (%)	48.9	51.6	49.6

* Excludes non-CAODC rigs.

A conference call to review the second quarter 2004 results has been scheduled for 12:00 noon MST on Thursday, July 29, 2004. The conference call dial-in number is 1-800-814-4853.

A live webcast will be accessible at WWW.PRECISIONDRILLING.COM by selecting Investor Relations.

Precision Drilling Corporation (TSX: PD and PD.U; NYSE: PDS) is a global oilfield services company providing a broad range of drilling, production and evaluation services with focus on fulfilling customer needs through fit-for-purpose technologies for the maturing oilfields of the 21st century. With corporate offices in Calgary, Alberta, Canada and Houston, Texas, and research facilities in the U.S. and Europe, Precision employs more than 10,000 people conducting operations in more than 30 countries. Precision is committed to providing efficient and safe services to create value for our customers, our shareholders and our employees.

FOR FURTHER INFORMATION, PLEASE CONTACT DALE E. TREMBLAY, SENIOR VICE PRESIDENT FINANCE AND CHIEF FINANCIAL OFFICER, 4200, 150 6TH AVENUE S.W., CALGARY, ALBERTA T2P 3Y7, TELEPHONE: (403) 716-4500, FAX: (403) 264-0251; WEBSITE: WWW.PRECISIONDRILLING.COM.