

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

PRECISION DRILLING CORP
Form 6-K
April 29, 2005

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 April 28, 2005

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

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

If "Yes" is marked, indicate below the file number assigned to the 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: April 28, 2005

Calgary, Alberta, Canada - April 28, 2005

PRECISION DRILLING CORPORATION ANNOUNCES
RESULTS FOR THE FIRST QUARTER -
ENERGY SERVICES GENERATES 107% EARNINGS GROWTH

Precision Drilling Corporation ("Precision" or the "Corporation") announced today that income from continuing operations for the first quarter of 2005 was \$138.5 million or \$2.22 per diluted share, compared to \$106.1 million or \$1.88 per diluted share for the first quarter of 2004.

Revenue increased by 20% to \$792 million, with operating earnings substantially surpassing this improvement, increasing 32% to \$224 million. Year-over-year, Precision Drilling's three business segments increased operating earnings by 107% in Energy Services, 43% in Rental and Production and 16% in Contract Drilling. These improvements were the result of:

- o The successful integration of the Compact(TM) wireline services and the internationally based land drilling rigs acquisitions;
- o Increased service pricing in response to continued strong demand; and
- o Enhanced equipment utilization in Energy Services.

It is important to note that this improvement in year-over-year profitability occurred despite decreased overall activity levels in Canada, demonstrating the success of Precision's efforts to expand internationally, as well as its pricing strength in the Canadian market.

International revenue in the first quarter of 2005 increased 51% over the same period in 2004 due to our successful acquisition of 31 internationally-based land drilling rigs and geographic expansion into high growth markets by our Energy Services segment. Internationally, Energy Services generated higher earnings across all product lines in nearly all of the regions in which the company operates.

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

SUMMARY RESULTS

	2005	Three months ended March 31, 2004
Revenue	\$791,876	\$659,365
Operating earnings	224,241	169,631
Earnings from continuing operations	138,518	106,082
Net earnings	138,518	100,519
Diluted earnings per share:		
From continuing operations	\$ 2.22	\$ 1.88
Net earnings	\$ 2.22	\$ 1.79
Funds provided by continuing operations	\$204,989	\$178,186

CONTRACT DRILLING

Revenue in the Contract Drilling segment increased by 11% to \$443 million in the first quarter compared to the same period in 2004. This revenue increase was primarily driven by the acquisition of 31 internationally based land drilling rigs in May 2004 as well as higher pricing levels in the Canadian market. This revenue growth rate was partially reduced by lower activity levels in Canada due to an early spring breakup, which shortened the winter drilling season.

Operating earnings of \$171 million in the first quarter of 2005 increased 16% compared to the same period in 2004. The strong growth in operating earnings was driven by pricing improvements in Canada which was partially offset by activity in the Eastern Hemisphere where current margins are lower. However, recent contract awards in the Eastern Hemisphere have been for substantially increased drilling rig day rates and improved utilization is anticipated over the coming months.

The Canadian drilling rig fleet achieved 13,999 operating days, for an overall utilization rate of 68% in the quarter, compared to 14,768 operating days and a 72% utilization rate in the first quarter of 2004. The service rig operation saw operating hours decrease by 7% year-over-year from 150,693 in the first quarter of 2004 compared to 139,674 in the first quarter of 2005.

ENERGY SERVICES

Energy Services generated revenue of \$282 million in the first quarter of 2005, an increase of 35% or \$74 million over the same period in 2004. Of this increase, \$36 million related to the Compact(TM) wireline services acquisition in May, 2004. Excluding the impact of this acquisition, the remaining \$38 million of growth was achieved primarily in international operations with Canadian revenues effectively flat year-over-year. In Canada, strong activity in the first two months of the year was offset by the effects of an early spring break up.

Wireline Services revenue was \$144 million in the first quarter of 2005, an increase of \$52 million over the same period in 2004. Excluding the impact of

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

the Compact(TM) wireline services acquisition, revenues increased by \$16 million or 18%. Of this increase, \$5 million was generated in Canada as a result of increased activity in the first two months of the year, partially offset by the effects of an early spring break up. The remaining \$11 million increase was driven by improved International results based on increased activity in the United States, Mexico, Latin America, Asia Pacific and the Middle East.

Drilling & Evaluation Services revenue increased 25% to \$100 million in the first quarter of 2005 from \$80 million in the first quarter of 2004. During the quarter, revenues from international operations grew by \$28 million, driven by increased utilization of Precision's LWD/HEL tools and rotary steerable systems, which together provided \$14 million of incremental revenue. Offsetting these results were the effects of an early spring break up in 2005 combined with increased commoditization of the MWD tools in Canada.

Revenues from Production Services grew by 20% to \$36 million in the first three months of 2005 from \$30 million in the first quarter of 2004, reflecting higher activity in Canada and the Middle East.

Operating earnings increased by \$29 million or 107% to \$56 million for the first quarter of 2005, compared to \$27 million in the same period of 2004. This increase is attributable to the Compact(TM) wireline services acquisition, combined with revenue growth across all product lines and operating cost improvements. Cost improvements as a percentage of revenue have occurred in the segment's mature markets as a result of cost control initiatives, and in its developing markets through the achievement of critical mass. Increased depreciation, resulting from an increased tool fleet, partially offset these gains.

RENTAL AND PRODUCTION

The Rental and Production segment saw a 32% increase in revenue and a 43% increase in operating earnings in the first quarter of 2005 compared to the same period in 2004. These increases were driven primarily by the industrial plant maintenance business and its increased activity in the Alberta oil sands projects.

STOCK SPLIT

As previously announced on March 10, 2005, Precision's Board of Directors has approved a stock split of its Common Shares on a two-for-one basis, pending shareholder approval.

CERTAIN STATEMENTS CONTAINED IN THIS PRESS RELEASE MAY CONTAIN WORDS SUCH AS "ANTICIPATE", "COULD", "SHOULD", "EXPECT", "BELIEVE", "WILL" AND SIMILAR EXPRESSIONS AND STATEMENTS RELATING TO MATTERS THAT ARE NOT HISTORICAL FACTS. THESE STATEMENTS ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. 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 REGULATIONS, TO WHICH PRECISION IS SUBJECT AND OTHER FACTORS, WHICH ARE DESCRIBED IN FURTHER DETAIL IN PRECISION'S FILINGS WITH THE US SECURITIES AND EXCHANGE COMMISSION.

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

CDN \$000'S, EXCEPT PER SHARE AMOUNTS (UNAUDITED)	THREE MONTHS ENDED		
	MARCH 31,		
	2005		
Revenue	\$	791,876	\$
Expenses:			
Operating		449,089	
General and administrative		51,912	
Depreciation and amortization		56,736	
Research and engineering		11,323	
Foreign exchange		(1,425)	
		567,635	
Operating earnings		224,241	
Interest		11,748	
Earnings from continuing operations before income taxes		212,493	
Income taxes:			
Current		70,489	
Future		3,486	
		73,975	
Earnings from continuing operations		138,518	
Discontinued operations, net of tax		--	
Net earnings		138,518	
Retained earnings, beginning of period		1,041,683	
Retained earnings, end of period	\$	1,180,201	\$
Earnings per share from continuing operations:			
Basic	\$	2.26	\$
Diluted	\$	2.22	\$
Earnings per share:			
Basic	\$	2.26	\$
Diluted	\$	2.22	\$
Common shares outstanding (000's)		61,330	

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Weighted average shares outstanding (000's)	61,157
Diluted shares outstanding (000's)	62,438

CONSOLIDATED BALANCE SHEETS

CDN \$ 000'S	MARCH 31, 2005	Decem
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 177,563	\$
Accounts receivable	818,653	
Inventory	120,201	
Future income tax asset	9,266	

	1,125,683	
Property, plant and equipment, net of accumulated depreciation	1,954,851	
Intangibles, net of accumulated amortization	188,550	
Goodwill	734,979	
Other assets	8,658	
Future income tax asset	27,133	

	\$ 4,039,854	\$
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 344,649	\$
Income taxes payable	53,445	
Current portion of long-term debt	18	
Future income tax liability	4,933	

	403,045	
Long-term debt	717,095	
Future income taxes	432,801	
Shareholders' equity:		
Share capital	1,298,769	
Contributed surplus	29,588	
Cumulative translation adjustment	(21,645)	
Retained earnings	1,180,201	

	2,486,913	

	\$ 4,039,854	\$
=====		
Common shares outstanding (000's)	61,330	
Common share purchase options outstanding (000's)	2,994	

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

CONSOLIDATED STATEMENTS OF CASH FLOW

CDN \$000'S (UNAUDITED)	THREE MONTHS EN MARCH 31,	2005
<hr/>		
Cash provided by (used in):		
Continuing operations:		
Earnings from continuing operations	\$	138,518
Items not affecting cash:		
Depreciation and amortization		56,736
Stock-based compensation		4,875
Future income taxes		3,486
Amortization of deferred financing costs		459
Unrealized foreign exchange loss on long-term monetary items		915
<hr/>		
Funds provided by continuing operations		204,989
Changes in non-cash working capital balances		(107,457)
<hr/>		
		97,532
Discontinued operations:		
Funds used in discontinued operations		--
Changes in non-cash working capital balances of discontinued operations		--
<hr/>		
		--
Investments:		
Business acquisitions		--
Purchase of property, plant and equipment		(72,960)
Purchase of intangibles		(20)
Proceeds on sale of property, plant and equipment		8,512
Proceeds on disposal of discontinued operations		--
<hr/>		
		(64,468)
Financing:		
Increase in long-term debt		-
Repayment of long-term debt		(4)
Issuance of common shares on exercise of options		22,491
Change in bank indebtedness		--
<hr/>		
		22,487
<hr/>		
Increase (decrease) in cash and cash equivalents		55,551
Cash and cash equivalents, beginning of period		122,012
<hr/>		
Cash and cash equivalents, end of period	\$	177,563
<hr/>		

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

SEGMENT INFORMATION

THREE MONTHS ENDED MARCH 31, 2005 CDN \$000's (unaudited)	Contract Drilling	Energy Services	Rental and Production
Revenue	\$ 443,192	\$ 281,725	\$ 66,959
Operating earnings	170,675	56,011	13,977
Research and engineering	-	11,323	--
Depreciation and amortization	27,763	24,213	3,311
Total assets	1,999,672	1,682,192	194,736
Goodwill	350,507	355,770	28,702
Capital expenditures	19,694	35,935	10,764

THREE MONTHS ENDED MARCH 31, 2004** CDN \$000's (unaudited)	Contract Drilling	Energy Services	Rental and Production
Revenue	\$ 400,468	\$ 208,197	\$ 50,700
Operating earnings	147,719	27,117	9,741
Research and engineering	-	11,810	-
Depreciation and amortization	24,487	20,428	3,302
Total assets	1,503,219	1,319,876	177,513
Goodwill	257,531	242,314	28,702
Capital expenditures*	17,201	25,723	6,465

* excludes acquisitions

** certain comparative figures have been reclassified to conform to the current financial statement presentation

CANADIAN DRILLING OPERATING STATISTICS

FOR THE THREE MONTHS ENDED MARCH
2005 2004

	Precision	Industry*	Market Share %	Precision
Number of drilling rigs	229	712	32.2	226
Number of operating days (spud to release)	13,999	45,670	30.7	14,768
Wells drilled	2,162	6,184	35.0	2,283
Average days per well	6.5	7.4		6.5
Metres drilled (000's)	2,566	7,357	34.9	2,571
Average metres per day	183	161		174
Average metres per well	1,187	1,190		1,126
Rig utilization rate (%)	67.9	71.3		71.9

* Excludes non-CAODC rigs.

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

A conference call to review the first quarter 2005 results has been scheduled for 12:00 noon MST on Thursday, April 28, 2005. The conference call dial-in number is 1-800-814-4859.

A live webcast will be accessible at www.precisiondrilling.com.

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, corporate subsidiary offices in Houston, Texas, and research facilities in the U.S. and Europe, Precision employs more than 12,000 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, TELEPHONE: (403) 716-4500, FAX: (403) 264-0251; WEBSITE: WWW.PRECISIONDRILLING.COM.