

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

PRECISION DRILLING CORP
Form 6-K
October 30, 2003

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 October 30, 2003

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: October 30, 2003

Calgary, Alberta, Canada - October 30, 2003

PRECISION DRILLING CORPORATION ANNOUNCES STRONG THIRD QUARTER RESULTS

HIGHLIGHTS

CDN \$000'S, EXCEPT PER SHARE AMOUNTS (UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		%	NINE SEP
	2003	2002	Change	2003

FINANCIAL RESULTS				
Revenue	\$468,097	\$ 363,669	28.7	\$1,424,331
Operating earnings (1)	63,174	20,371	210.1	189,331
Earnings from continuing operations	37,772	10,459	261.1	116,022
Net earnings	37,772	12,246	208.4	133,531
Diluted earnings per share:				
From continuing operations	0.68	0.19	257.9	2.10

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

After discontinued operations	0.68	0.22	209.1	2.42
Funds provided by continuing operations	93,260	22,872	307.7	244,720

Precision Drilling Corporation ("Precision" or the "Corporation") today reports earnings per share from continuing operations for the three months ended September 30, 2003 of \$0.68 compared to \$0.19 in the same quarter of 2002. Included in earnings from continuing operations are costs of \$816 (\$0.01 per share) associated with business rationalization initiatives. For the nine month period ended September 30, 2003, earnings per share from continuing operations was \$2.10 compared to \$1.41 for the same period in 2002 while gains on disposal of discontinued operations resulted in further earnings per share of \$0.32 for a total of \$2.42 per share for the nine month period ended September 30, 2003.

Revenue of \$468.1 million for the quarter increased by \$104.4 million or 29% over the same period in the prior year. The majority of this increase came from the Corporation's Canadian operations. Activity levels in Canada were strong in all of the Corporation's business segments. Revenue from the Canadian Contract Drilling operation was up 53% while Technology Services Canadian operations revenue was up by 44%.

Contract Drilling revenue increased by 47% in the third quarter compared to the same quarter last year. For the nine month period, revenue has increased 21% from the prior year.

In Canada, the drilling rig fleet achieved 10,848 operating days for a 52% utilization in the quarter compared to 6,944 operating days and a 34% utilization in the comparable quarter of the prior year. The increase in rig operating days of 56% for the quarter and 33% for the nine-month

period follows overall industry activity. The activity levels for the third quarter were up on the prior year due to near perfect weather in July and August, improved commodity pricing resulting in higher industry activity and the backlog of work created by unfavorable weather in the second quarter. Average day rates increased as a result of increased demand and strong pricing on the spot market. Day rates in Canada are expected to improve as anticipated activity reaches near record levels. In the fourth quarter the Corporation will be adding two Super Single Lights(TM), bringing the total rig fleet in Canada to 226.

The service rig fleet generated 110,447 operating hours in the third quarter, up 19% from the same quarter last year. Average hourly rates have increased 3% from the third quarter of 2002. As at September 30, 2003 the Corporation was operating 239 service rigs, down 3 from the same period in the prior year as two units were deregistered and one unit was involved in an incident that has made it inoperable. Activity levels in well servicing were up on the comparable quarter last year due to ideal weather conditions, increased drilling activity and strong commodity pricing, heavy oil in particular.

During the quarter the Corporation experienced an increase in international drilling activity as the number of days increased over the same quarter in 2002 by 41% to 972 days. The increase in rig operating days was the result of increased drilling activity in Latin America, as Venezuela recovers from the effects of a general strike, and a one rig project in Asia Pacific. The Corporation has entered into a second rig contract in Asia Pacific and is mobilizing another rig to the Middle East. These rig deployments, together with

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

the increase in rigs working on the Mexico integrated services contract from 7 to 10, will bring the total drilling rigs working internationally to 19 and should result in growth for international Contract Drilling.

In the quarter, revenue for Technology Services was 19% higher than the comparable quarter of 2002. The most significant increase was realized in the Canadian region where revenue increased \$23.5 million (a 44% increase over 2002) due to increased activity. Other areas with significant growth in revenue were Mexico, with the expansion in growth outside of the integrated services contract, and the Middle East, where the Corporation has been successful in adding new contracts over the past 12 months. Revenue for the quarter was contributed from Canada at 40% (2002 - 36%), US 24% (2002- 24%) and International 36% (2002 - 40%).

Operating earnings as a percentage of revenue improved significantly from a loss of 5% in the third quarter of 2002 to slightly better than break even. Depreciation expense increased as a result of asset write downs, increased capital assets and a gain on disposal of capital assets in 2002 of \$4.1 million compared to a gain on disposal in 2003 of \$1.5 million. Total capital expenditures in the Technology Services segment in the last twelve months have been \$216.6 million.

As noted in the second quarter, the business plan for Technology Services is being reviewed. This process will be completed early in the fourth quarter and will result in the identification of core and non core product lines. These conclusions will guide future capital spending and divestiture decisions and will form the basis for assessing the carrying value of the Corporation's investment in Technology Services or components thereof.

The tool build for Technology Services continues and tool deployment proceeds on a strategic basis. Future investment is being directed to increasing available tool sizes and expanding concurrent job capability.

The Rental and Production segment experienced an increase in revenue of 5% over the prior year to \$48.9 million. The segment's rental division realized higher revenues due to increased rental days and a modest increase in revenue per rental day driven by activity levels in Canada. During the quarter the Corporation combined its 3 separate rental operations to form one business unit in order to improve upon customer convenience and streamline operations.

(1) NON-GAAP MEASURE

OPERATING EARNINGS IS NOT A RECOGNIZED MEASURE UNDER CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). MANAGEMENT BELIEVES THAT IN ADDITION TO NET EARNINGS, OPERATING EARNINGS IS A USEFUL SUPPLEMENTAL MEASURE AS IT PROVIDES AN INDICATION OF THE RESULTS GENERATED BY THE CORPORATION'S PRINCIPAL BUSINESS ACTIVITIES PRIOR TO CONSIDERATION OF HOW THOSE ACTIVITIES ARE FINANCED OR HOW THE RESULTS ARE TAXED IN VARIOUS JURISDICTIONS. INVESTORS SHOULD BE CAUTIONED, HOWEVER, THAT OPERATING EARNINGS SHOULD NOT BE CONSTRUED AS AN ALTERNATIVE TO NET EARNINGS DETERMINED IN ACCORDANCE WITH GAAP AS AN INDICATOR OF PRECISION'S PERFORMANCE. PRECISION'S METHOD OF CALCULATING OPERATING EARNINGS MAY DIFFER FROM OTHER COMPANIES AND, ACCORDINGLY, OPERATING EARNINGS MAY NOT BE COMPARABLE TO MEASURES USED BY OTHER COMPANIES.

CERTAIN STATEMENTS CONTAINED IN THIS PRESS RELEASE, INCLUDING STATEMENTS WHICH ARE RELATED TO IMPROVEMENT IN DAY RATES IN CANADA, GROWTH IN INTERNATIONAL

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

CONTRACT DRILLING AND FUTURE INVESTMENTS 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 SEPTEMBER 30,		
	2003	2002	
Revenue	\$ 468,097	\$ 363,669	\$ 1,4
Expenses:			
Operating	311,931	264,439	9
General and administrative	38,331	38,211	1
Depreciation and amortization	43,686	31,797	1
Research and engineering	13,309	8,990	
Foreign exchange	(2,334)	(139)	
	404,923	343,298	1,2
Operating earnings	63,174	20,371	1
Interest	8,545	8,722	
Dividend income	--	--	
Gain on disposal of investments	(1,862)	(1,000)	
Earnings before income taxes, non-controlling interest and discontinued operations	56,491	12,649	1
Income taxes:			
Current	5,028	23,696	
Future	13,417	(21,825)	
	18,445	1,871	
Earnings before non-controlling interest and discontinued operations	38,046	10,778	1
Non-controlling interest	274	319	

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Earnings from continuing operations	37,772	10,459	1
Gain on disposal of discontinued operations	--	--	
Discontinued operations, net of tax	--	1,787	
=====			
Net earnings	37,772	12,246	1
Retained earnings, beginning of period	715,843	598,975	6

Retained earnings, end of period	\$ 753,615	\$ 611,221	\$ 7
=====			
Earnings per share from continuing operations:			
Basic	\$ 0.69	\$ 0.19	\$
Diluted	\$ 0.68	\$ 0.19	\$
=====			
Earnings per share:			
Basic	\$ 0.69	\$ 0.23	\$
Diluted	\$ 0.68	\$ 0.22	\$
=====			
Common shares outstanding (000's)	54,639	53,944	
Weighted average shares outstanding (000's)	54,514	53,923	
Diluted shares outstanding (000's)	55,334	54,871	

CONSOLIDATED BALANCE SHEETS

CDN \$000's	SEPTEMBER 30, 2003

	(UNAUDITED)
ASSETS	
Current assets:	
Cash	\$ 18,270
Accounts receivable	512,480
Income taxes recoverable	7,145
Inventory	111,972

	649,867
Property, plant and equipment, net of accumulated depreciation	1,595,593
Intangibles, net of accumulated amortization	67,579
Goodwill	537,692
Other assets	8,959

	\$ 2,859,690
=====	
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Bank indebtedness	\$ 135,778
Accounts payable and accrued liabilities	248,543

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Current portion of long-term debt	18,572

	402,893
Long-term debt	446,372
Future income taxes	324,771
Non-controlling interest	2,859
Shareholders' equity:	
Share capital	929,180
Retained earnings	753,615

	1,682,795

	\$ 2,859,690
=====	
Common shares outstanding (000's)	54,639
Common share purchase options outstanding (000's)	3,542

CONSOLIDATED STATEMENTS OF CASH FLOW

CDN \$000'S (UNAUDITED)	THREE MONTHS ENDED SEPTEMBER 30,		
	2003	2002	
Cash provided by (used in):			
Continuing operations:			
Earnings from continuing operations	\$ 37,772	\$ 10,459	\$ 11,407
Items not affecting cash:			
Depreciation and amortization	43,686	31,797	13,407
Gain on disposal of investments	(1,862)	(1,000)	(8,000)
Future income taxes	13,417	(21,825)	1,000
Non-controlling interest	274	319	1,000
Amortization of deferred financing costs	321	323	1,000
Unrealized foreign exchange (gain) loss on long-term debt	(348)	2,799	(1,000)

Funds provided by continuing operations	93,260	22,872	24,407
Changes in non-cash working capital balances	(84,386)	(11,465)	(8,000)

	8,874	11,407	15,407

Discontinued operations:			
Earnings from discontinued operations	--	1,787	1,787
Items not affecting cash:			
Gain on disposal of discontinued operations	--	--	(1,000)
Depreciation and amortization	--	631	1,000
Future income taxes	--	200	1,000

Funds provided by discontinued operations	--	2,618	2,618

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Investments:

Business acquisitions	--	(3,050)	(
Purchase of property, plant and equipment	(69,049)	(59,971)	(23
Purchase of intangibles	--	(63)	
Proceeds on sale of property, plant and equipment	5,500	8,386	1
Proceeds on disposal of investments	2,960	1,872	1
Proceeds on disposal of discontinued operations	--	--	6
Investments	144	--	
	(60,445)	(52,826)	(15

Financing:

Increase in long-term debt	35,980	24,507	8
Repayment of long-term debt	(4,486)	(5,994)	(14
Issuance of common shares on exercise of options	6,115	1,826	1
Change in bank indebtedness	21,275	15,360	4
	58,884	35,699	(

Increase (decrease) in cash	7,313	(3,102)	
Cash, beginning of period	10,957	27,218	1

Cash, end of period	\$ 18,270	\$ 24,116	\$ 1
---------------------	-----------	-----------	------

SEGMENT INFORMATION

CDN \$000's (unaudited)	Contract	Technology	Rental and	Cor
Three months ended September 30,	Drilling	Services	Production	and

2003

Revenue	\$ 227,490	\$ 191,748	\$ 48,859	\$
Operating earnings (loss)	62,236	713	9,247	
Research and engineering	--	13,309	--	
Depreciation and amortization	19,961	19,455	3,072	
Total assets	1,342,054	1,260,539	174,117	
Goodwill	257,531	251,589	28,572	
Capital expenditures	32,798	27,609	2,269	

2002

Revenue	\$ 154,457	\$ 161,569	\$ 46,384	\$
Operating earnings (loss)	27,327	(7,840)	6,582	
Research and engineering	--	8,990	--	
Depreciation and amortization	14,397	13,028	3,268	
Total assets	1,279,871	1,084,803	236,983	
Goodwill	257,531	250,045	37,801	
Capital expenditures*	10,530	44,307	3,237	

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

CDN \$000's (unaudited) Nine months ended September 30,	Contract Drilling	Technology Services	Rental and Production	Con and

2003				
Revenue	\$ 701,884	\$ 560,135	\$ 162,312	\$
Operating earnings (loss)	186,551	(5,772)	31,857	(
Research and engineering	--	30,954	--	
Depreciation and amortization	58,234	61,048	9,364	
Total assets	1,342,054	1,260,539	174,117	
Goodwill	257,531	251,589	28,572	
Capital expenditures*	62,794	148,817	9,463	

2002				
Revenue	\$ 581,137	\$ 494,756	\$ 149,448	\$
Operating earnings (loss)	145,188	(15,782)	26,055	(
Research and engineering	--	25,278	--	
Depreciation and amortization	46,427	42,704	9,932	
Total assets	1,279,871	1,084,803	236,983	
Goodwill	257,531	250,045	37,801	
Capital expenditures*	29,534	121,329	14,947	

* EXCLUDES BUSINESS ACQUISITIONS

CANADIAN DRILLING OPERATING STATISTICS

	NINE MONTHS ENDED SEPTEMBER			
	2003			
	Precision	Industry*	Market Share %	Precision

Number of drilling rigs	224	654	34.3	223
Number of operating days (spud to release)	31,094	91,830	33.9	23,379
Wells drilled	6,128	15,137	40.5	4,497
Average days per well	5.1	6.1		5.2
Metres drilled (000's)	6,265	15,899	39.4	4,508
Average metres/day	201	173		193
Average metres/well	1,022	1,050		1,002
Rig utilization rate (%)	50.6	51.7		38.2

* Excludes non-CAODC rigs.

A conference call to review the third quarter 2003 results has been scheduled for 12:00 noon MST on Thursday, October 30, 2003. 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, headquartered in Calgary, Alberta, Canada, is the largest Canadian

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

integrated oilfield and industrial services contractor. Precision Drilling Corporation is listed on The Toronto Stock Exchange under the trading symbol "PD" and on the New York Stock Exchange under the trading symbol "PDS".

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.