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PRECISION DRILLING CORP
Form 6-K
October 31, 2005

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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 27, 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. ☐

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Yes ☐

No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- N/A

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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 27, 2005

P R E S S R E L E A S E
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Calgary, Alberta, Canada -- October 27, 2005

PRECISION DRILLING CORPORATION ANNOUNCES
68% INCREASE IN OPERATING RESULTS, EXCLUDING ONE-TIME ITEMS
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Diluted earnings per share from continuing operations were \$0.02 in the third quarter of 2005 compared to \$0.31 in 2004. Diluted earnings per share from continuing operations was reduced by \$0.50 in 2005 as a result of a number of one time items the first of which is the \$65.5 million premium on repayment of the Corporation's outstanding debentures and the second of which is the \$20.3 million market value adjustment to the shares of Weatherford International Ltd. ("Weatherford") received on the sale of the Energy Services and International Contract Drilling divisions.

Excluding one time items related to the Corporation's recent asset disposal and reorganization activities, diluted earnings per share from continuing operations in the third quarter of 2005 was \$0.52 compared to \$0.31 in 2004. This 68% increase reflects the strong market for oilfield services in Canada and favorable weather conditions allowing activity levels to rise to meet demand. Increased demand has resulted in improved pricing for all of the Corporation's service offerings.

On August 31, the Corporation completed the sale of its Energy Services and International Contract Drilling divisions to Weatherford for a purchase price consisting of 26,000,000 common shares of Weatherford and \$1,130,000,000 cash

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consideration and recognized an associated gain of \$1.262 billion. On September 13, Precision closed the sale of CEDA International Corporation, which carried on the Industrial Services business, for cash proceeds of \$274,000,000, recognizing a gain of \$123 million.

In September, the Corporation announced its intention to reorganize its remaining operations and holdings into an income trust and on October 4 the associated Notice of Special Meeting of Securityholders and Information Circular was mailed to securityholders. The special meeting to consider the conversion is scheduled to take place on October 31, 2005 with the actual conversion taking place on or about November 7, 2005. Pursuant to the reorganization, shareholders will be entitled to receive in exchange for each common share held (i) one unit of the Trust; (ii) their pro-rata share of the 26 million common shares of Weatherford owned by Precision; and (iii) their pro-rata share of up to \$850 million of cash. The Weatherford shares will not be subject to any resale restrictions, however, Precision will not be able to complete the reorganization or transfer the Weatherford shares until a registration statement filed by Weatherford is declared effective by the U.S. Securities and Exchange Commission. Based on current business conditions, it is anticipated that the Board of Trustees of the Trust will set the initial regular distributions to the Trust's unitholders at approximately \$0.24 per Trust Unit per month with the first such payment expected to be made in the month following the effective date of the reorganization.

Also in September, Precision provided irrevocable redemption notices for the repayment of all of its outstanding debentures and on October 17, 2005 paid approximately \$767 million to fulfill this obligation.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30

	2005	2004	% Change
Number of drilling rigs (end of period)	229	226	1.3
Drilling operating days	12,539	9,479	32.3
Drilling revenue per operating day	16,259	15,029	8.2
Number of service rigs (end of period)	238	239	--
Service rig operating hours	122,620	112,636	8.9
Service revenue per operating hour	551	479	15.0

NINE MONTHS ENDED SEPTEMBER 30

	2005	2004	% Change
Number of drilling rigs (end of period)	229	226	1.8
Drilling operating days	32,587	29,526	10.4
Drilling revenue per operating day	17,300	16,031	7.9
Number of service rigs (end of period)	238	239	--
Service rig operating hours	335,108	344,315	(2.7)
Service revenue per operating hour	567	498	13.9

Hank Swartout, Precision's Chairman, President and Chief Executive Officer, noted that "Precision's continuing operations have not been impacted by the sale and trust conversion processes. Ultimately, Precision is a service company and continues to focus on what has made it successful, building and maintaining long-term customer relationships. We will continue to work closely with our

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customers this winter to ensure a safe, efficient, and mutually successful drilling season."

Rig demand remains extremely strong and the wet weather conditions throughout the second quarter further enhanced the situation in the third quarter as ground conditions dried in July. The impact of this pent up demand resulted in an outstanding quarter for revenues and earnings as the backlog of wells to be drilled created a combination of positive factors. First, winter pricing held up through the spring and into the summer and second, whenever equipment became available there were customers that were prepared to put it to work immediately. This contributed to the 81% increase in operating earnings in the third quarter of 2005 relative to 2004.

Overall, the oil and gas service industry will benefit from the pricing leverage established from third quarter activity. Accordingly, increased pricing for the winter season will take effect in the fourth quarter.

All operating divisions reported significant revenue increases year over year. Well Servicing's 25% increase was somewhat lower than Contract Drilling's 43% increase due to the natural time lag between drilling and completing wells.

Operating costs were lower as a percentage of revenue despite crew wage increases that were implemented in the fourth quarter of 2004. Operating expenses declined from 58% of revenue in the third quarter of 2004 to 53% in 2005. Equipment repair and maintenance expenditures were lower on a per day basis as scheduled expenditures were spread over a higher activity level relative to last year. In addition, operating expenses have not increased as much as customer pricing.

General and administrative costs for the third quarter were slightly higher than the same period in 2004. As a percentage of revenue, general and administrative costs fell to 5.5% from 6.4 %. General and administrative costs should further decline as the corporate function continues to be sized to meet the needs of Precision's smaller business organization.

Depreciation expense remained relatively consistent as the impact of increased activity was offset by the change in the estimated useful life of drilling rigs from 4,150 to 5,000 utilization days effective January 1, 2005.

CERTAIN STATEMENTS CONTAINED IN THIS PRESS RELEASE, INCLUDING STATEMENTS RELATING TO OUR PROPOSED REORGANIZATION AND THE WEATHERFORD SHARES, AND STATEMENTS THAT MAY CONTAIN WORDS SUCH AS "ANTICIPATE", "COULD", "SHOULD", "EXPECT", "BELIEVE", "WILL" AND SIMILAR ARE NOT HISTORICAL FACTS AND 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.

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CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

	THREE MONTHS END SEPTEMBER 30,	
CDN \$000'S, EXCEPT PER SHARE AMOUNTS (UNAUDITED)	2005	2004
Revenue	\$ 300,016	\$ 218,016
Expenses:		
Operating	158,581	127,111
General and administrative	16,486	13,911
Depreciation and amortization	18,923	17,411
Foreign exchange	(5,930)	(2,311)
	188,060	156,243
Operating earnings	111,956	61,773
Interest		
Long-term	11,971	13,111
Other	39	
Income	(4,784)	(1,111)
Premium on redemption of bonds	65,483	
Unrealized loss in market value on short-term investments	20,262	
Gain on disposal of investments	--	(2,511)
Earnings from continuing operations before income taxes	18,985	51,311
Income taxes:		
Current	171,612	10,911
Future	(155,009)	3,411
	16,603	14,311
Earnings from continuing operations	2,382	36,911
Discontinued operations, net of tax	1,380,266	5,711
Net earnings	1,382,648	42,711
Retained earnings, beginning of period	1,206,052	910,711
Adjustment on cash purchase of employee stock options, net of tax - \$9,823	(18,741)	
Retained earnings, end of period	\$ 2,569,959	\$ 953,511
Earnings per share from continuing operations:		
Basic	\$ 0.02	\$ 0.02
Diluted	\$ 0.02	\$ 0.02
Earnings per share:		
Basic	\$ 11.22	\$ 0.02
Diluted	\$ 11.00	\$ 0.02

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Common shares outstanding (000's)	123,883	121,3
Weighted average shares outstanding (000's)	123,285	118,3
Diluted shares outstanding (000's)	125,686	119,8

CONSOLIDATED BALANCE SHEETS

CDN \$000'S	SEPTEMBER 30, 2005	Deco
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(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,585,247	\$
Marketable securities, at lower of cost or market (market value - \$2,072,749)	2,072,749	
Accounts receivable	356,335	
Inventory	6,603	
Other assets	7,742	
Assets of discontinued operations	--	
	4,028,676	

Property, plant and equipment, net of accumulated depreciation	925,112	
Intangibles, net of accumulated amortization	487	
Goodwill	266,827	
Other assets	--	
Assets of discontinued operations	--	1
	\$ 5,221,102	\$ 3

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued liabilities	\$ 153,240	\$
Income taxes payable	161,705	
Current portion of long-term debt	765,133	
Liabilities of discontinued operations	--	
	1,080,078	

Long-term debt	--	
Future income tax liability	212,167	
Liabilities of discontinued operations	--	

Shareholders' equity:

Share capital	1,323,709	1
Contributed surplus	35,189	
Cumulative translation adjustment	--	
Retained earnings	2,569,959	1
	3,928,857	2

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	\$ 5,221,102	\$ 3
Common shares outstanding (000's)	123,883	
Common share purchase options outstanding (000's)	3,921	

CONSOLIDATED STATEMENTS OF CASH FLOW

	THREE MONTHS E	
	SEPTEMBER 30	
CDN \$000'S, EXCEPT PER SHARE AMOUNTS (UNAUDITED)	2005	

Cash provided by (used in):

Continuing operations:

Earnings from continuing operations	\$ 2,382	\$ 36
Items not affecting cash:		
Stock-based compensation	1,812	2
Depreciation and amortization	18,923	17
Gain on disposal of investments	--	(2)
Premium on redemption of bonds	65,483	
Unrealized loss in market value on short-term investments	20,262	
Future income taxes	(155,009)	3
Amortization of deferred financing costs	457	
Unrealized foreign exchange gain on long-term monetary items	(9,057)	(1)

Funds provided by (used in) continuing operations	(54,747)	56
Changes in non-cash working capital balances	106,929	(34)

52,182 21

Discontinued operations:

Funds provided by discontinued operations	53,330	48
Changes in non-cash working capital balances of discontinued operations	(21,286)	(30)

32,044 17

Investments:

Business acquisitions, net of cash acquired	(30,421)	(1)
Purchase of property, plant and equipment	(77,155)	(83)
Purchase of intangibles	--	
Proceeds on sale of property, plant and equipment	8,941	13
Proceeds on disposal of investments	--	5
Proceeds on disposal of discontinued operations	1,306,280	8
Investments	--	1

1,207,645 (56)

Financing:

Increase in long-term debt	--	
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Repayment of long-term debt	(3)	(161)
Deferred financing costs on long-term debt	--	
Issuance of common shares on exercise of options	15,405	13
Issuance of common shares, net of costs	--	276
Purchase of employee stock options	(28,564)	
Change in bank indebtedness	--	(71)
	(13,162)	55
Increase in cash and cash equivalents	1,278,709	38
Cash and cash equivalents, beginning of period	306,538	40
Cash and cash equivalents, end of period	\$ 1,585,247	\$ 79

CANADIAN DRILLING OPERATING STATISTICS

	NINE MONTHS ENDED SEPTEMBER			
	2005			
	Precision	Industry*	Market Share %	Precision
Number of drilling rigs	229	738	31.0	
Number of operating days (spud to release)	32,587	109,477	29.8	29,
Wells drilled	5,783	17,288	33.5	5,
Average days per well	5.6	6.3		
Metres drilled (000's)	6,414	19,655	32.6	5,
Average metres/day	197	180		
Average metres/well	1,109	1,137		1,
Rig utilization rate (%)	52.1	55.6		4

* Excludes non-CAODC rigs.

A conference call to review the third quarter 2005 results has been scheduled for 12:00 noon MST on Thursday, October 27, 2005. The conference call dial-in number is 1-800-814-4861.

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

FOR FURTHER INFORMATION, PLEASE CONTACT HANK B. SWARTOUT, CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, 4200, 150 6TH AVENUE S.W., CALGARY, ALBERTA T2P 3Y7, TELEPHONE: (403) 716-4500, FAX: (403) 264-0251; WEBSITE: WWW.PRECISIONDRILLING.COM.