

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

PRECISION DRILLING CORP
Form 6-K
April 29, 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 April 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

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 29, 2004

Calgary, Alberta, Canada - April 29, 2004

PRECISION DRILLING CORPORATION ANNOUNCES RECORD QUARTERLY EARNINGS

Precision Drilling Corporation ("Precision" or the "Corporation") today announces record results for the quarter ended March 31, 2004. Diluted earnings per share from continuing operations were \$1.91 compared to \$1.34 for the first quarter of 2003, a 43% increase. Diluted net earnings per share of \$1.79 for the quarter ended March 31, 2004 includes a reduction of \$0.12 per share stemming from discontinued operations. In the first quarter of 2003, discontinued operations added \$0.17 to diluted net earnings per share. Also, effective January 1, 2004, Precision has expensed the cost of share purchase options granted to employees and directors and has restated the 2003 comparative amounts to give effect to this accounting treatment. The impact was to reduce diluted net earnings per share in the first quarter of 2004 and 2003 by \$0.04 and \$0.03, respectively.

With respect to discontinued operations, an additional loss of \$0.9 million was realized on the completion of the sale of the Fleet Cementers division. An agreement for the sale of substantially all of the assets of the Polar Completions division was entered into and the carrying value of these assets has been written down by \$6.1 million to reflect the agreed sales price. This transaction is expected to close on or about May 7, 2004.

Contract Drilling saw a 42% increase in operating earnings from \$104.5 million in 2003 to \$148.6 million in 2004. Canadian operations accounted for 89% of this increase with improved pricing providing the impetus for the stronger results.

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Drilling rig operating days increased by less than 1% year over year, however, average drilling revenue per day increased by 12%. Service rig operating hours and revenue per hour both increased by 8% in the first quarter of 2004 compared to the first quarter of 2003.

Operating earnings generated by international drilling operations increased by 64% in line with the 58% increase in operating days. Operating days increased in Mexico with the addition of three rigs to the Burgos project in Venezuela as activity in that country picked up after working through the impact of the national strike in 2003, and in the Middle East where the Corporation began drilling operations in the fourth quarter of 2003.

Technology Services realized a 127% increase in operating earnings to \$29.8 million in the first quarter of 2004 compared to \$13.1 million in the same period of 2003. Revenue increased by \$24.2 million or 12% over the same periods. Over half of the increase in operating earnings was generated by Canadian operations which saw an improvement in both activity levels and pricing. Significant improvements were also shown in the segment's US operations primarily as a result of cost savings generated by restructuring initiatives. Mexico operations saw increased operating earnings as a result of additional activity on the Burgos project and South America benefited from the improved situation in Venezuela. These improvements were offset somewhat by additional research and engineering spending, much of which was focused on rotary steerable development.

Rental and Production revenue remained relatively consistent at \$50.7 million in 2004 compared to \$49.6 million in 2003. Operating earnings improved in both the equipment rental and industrial plant maintenance businesses.

Precision reduced its total borrowings by \$80.8 million during the quarter from \$564.5 million at December 31, 2003 to \$483.7 million at March 31, 2004. This is the result of cash inflows from operations, sale of discontinued operations and the exercise of stock options being in excess of capital spending.

Certain statements contained in this press release, including statements which may contain words such as "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, performances 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

THREE MONTH
MARCH

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

| CDN \$000's, except per share amounts (unaudited) | 2004 | |
|--|------------|----|
| Revenue | \$ 665,165 | \$ |
| Expenses: | | |
| Operating | 387,862 | |
| General and administrative | 42,807 | |
| Depreciation and amortization | 49,725 | |
| Research and engineering | 11,263 | |
| Foreign exchange | 312 | |
| | 491,969 | |
| Operating earnings | 173,196 | |
| Interest | 8,188 | |
| Earnings from continuing operations before income taxes and non-controlling interest | 165,008 | |
| Income taxes: | | |
| Current | 36,893 | |
| Future | 19,820 | |
| | 56,713 | |
| Earnings from continuing operations before non-controlling interest | 108,295 | |
| Non-controlling interest | 857 | |
| Earnings from continuing operations | 107,438 | |
| Discontinued operations, net of tax | (6,919) | |
| Net earnings | 100,519 | |
| Retained earnings, beginning of period | 794,279 | |
| Retained earnings, end of period | \$ 894,798 | \$ |
| Earnings per share from continuing operations: | | |
| Basic | \$ 1.94 | \$ |
| Diluted | \$ 1.91 | \$ |
| Earnings per share: | | |
| Basic | \$ 1.81 | \$ |
| Diluted | \$ 1.79 | \$ |
| Common shares outstanding (000's) | 55,753 | |
| Weighted average shares outstanding (000's) | 55,485 | |
| Diluted shares outstanding (000's) | 56,309 | |

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

CONSOLIDATED BALANCE SHEETS

| CDN \$ 000's | MARCH 31, 2004 | Dec |
|--|-------------------|------|
| | (unaudited) | (|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 20,209 | \$ |
| Accounts receivable | 699,391 | |
| Inventory | 95,676 | |
| Assets of discontinued operations | 12,312 | |
| | ----- | |
| | 827,588 | |
| Property, plant and equipment, net of accumulated depreciation | 1,587,732 | 1 |
| Intangibles, net of accumulated amortization | 63,778 | |
| Goodwill | 528,547 | |
| Other assets | 8,612 | |
| Assets of discontinued operations | 4,086 | |
| | ----- | |
| | \$ 3,020,343 | \$ 2 |
| ===== | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Bank indebtedness | \$ 79,077 | \$ |
| Accounts payable and accrued liabilities | 292,631 | |
| Income taxes payable | 15,177 | |
| Current portion of long-term debt | 13,418 | |
| Liabilities of discontinued operations | 5,490 | |
| | ----- | |
| | 405,793 | |
| Long-term debt | 391,172 | |
| Future income taxes | 340,356 | |
| Future income taxes of discontinued operations | -- | |
| Non-controlling interest | 4,628 | |
| Shareholders' equity: | | |
| Contributed surplus | 15,766 | |
| Share capital | 967,830 | |
| Retained earnings | 894,798 | |
| | ----- | |
| | 1,878,394 | 1 |
| | ----- | |
| | \$ 3,020,343 | \$ 2 |
| ===== | | |
| Common shares outstanding (000's) | 55,753 | |
| Common share purchase options outstanding (000's) | 2,547 | |

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

CONSOLIDATED STATEMENTS OF CASH FLOW

| | THREE MONTH MARCH 2004 |
|--|------------------------------|
| CDN \$000's, (unaudited) | |
| ----- | |
| Cash provided by (used in): | |
| Continuing operations: | |
| Earnings from continuing operations | \$ 107,438 |
| Items not affecting cash: | |
| Stock-based compensation | 2,051 |
| Depreciation and amortization | 49,725 |
| Future income taxes | 19,820 |
| Non-controlling interest | 857 |
| Amortization of deferred financing costs | 320 |
| Unrealized foreign exchange loss (gain) on long-term monetary items | 285 |
| ----- | |
| Funds provided by continuing operations | 180,496 |
| Changes in non-cash working capital balances | (111,238) |
| ----- | |
| | 69,258 |
| Discontinued operations: | |
| Funds provided by (used in) discontinued operations | (3,898) |
| Changes in non-cash working capital balances of discontinued operations | 8,592 |
| ----- | |
| | 4,694 |
| Investments: | |
| Business acquisitions | (630) |
| Purchase of property, plant and equipment | (53,728) |
| Proceeds on sale of property, plant and equipment | 4,713 |
| Proceeds on disposal of discontinued operations | 25,746 |
| Investments | -- |
| ----- | |
| | (23,899) |
| Financing: | |
| Increase in long-term debt | 1,263 |
| Repayment of long-term debt | (4,365) |
| Issuance of common shares on exercise of options | 30,535 |
| Change in bank indebtedness | (78,647) |
| ----- | |
| | (51,214) |
| ----- | |
| Increase (decrease) in cash | (1,161) |
| Cash, beginning of period | 21,370 |
| ----- | |

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Cash, end of period \$ 20,209

SEGMENT INFORMATION

| THREE MONTHS ENDED MARCH 31, 2004 CDN \$000'S (unaudited) | CONTRACT DRILLING | TECHNOLOGY SERVICES | RENTAL AND PRODUCTION | CORPORATE AND OTHER | |
|--|----------------------|------------------------|--------------------------|------------------------|----|
| Revenue | \$ 387,251 | \$ 227,214 | \$ 50,700 | \$ -- | \$ |
| Operating earnings | 148,608 | 29,793 | 9,741 | (14,946) | |
| Research and engineering | -- | 11,263 | -- | -- | |
| Depreciation and amortization | 24,357 | 20,655 | 3,302 | 1,411 | |
| Total assets | 1,502,344 | 1,283,193 | 178,946 | 55,860 | 3 |
| Goodwill | 257,531 | 242,314 | 28,702 | -- | |
| Capital expenditures* | 17,201 | 25,723 | 6,465 | 4,339 | |

| THREE MONTHS ENDED MARCH 31, 2003 CDN \$000'S (unaudited) | CONTRACT DRILLING | TECHNOLOGY SERVICES | RENTAL AND PRODUCTION | CORPORATE AND OTHER | |
|--|----------------------|------------------------|--------------------------|------------------------|----|
| Revenue | \$ 335,312 | \$ 203,037 | \$ 49,621 | \$ -- | \$ |
| Operating earnings | 104,525 | 13,098 | 8,271 | (7,043) | |
| Research and engineering | -- | 8,899 | -- | -- | |
| Depreciation and amortization | 25,613 | 18,753 | 3,319 | 1,173 | |
| Total assets | 1,421,031 | 1,238,468 | 179,365 | 81,254 | 2 |
| Goodwill | 257,531 | 241,340 | 28,572 | -- | |
| Capital expenditures* | 8,298 | 60,028 | 3,849 | 4,557 | |

*excludes acquisitions

CANADIAN DRILLING OPERATING STATISTICS

| | FOR THE THREE MONTHS ENDED MARCH 2004 | | | |
|--|---------------------------------------|-----------|-------------------|-----------|
| | PRECISION | INDUSTRY* | MARKET SHARE % | PRECISION |
| Number of drilling rigs | 226 | 679 | 33.3 | 225 |
| Number of operating days (spud to release) | 14,768 | 45,189 | 32.7 | 14,641 |
| Wells drilled | 2,283 | 6,159 | 37.1 | 2,281 |
| Average days per well | 6.5 | 7.3 | | 6.4 |
| Metres drilled (000's) | 2,571 | 7,087 | 36.3 | 2,391 |
| Average metres per day | 174 | 157 | | 163 |
| Average metres per well | 1,126 | 1,151 | | 1,048 |

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

| | | | |
|--------------------------|------|------|------|
| Rig utilization rate (%) | 71.9 | 73.2 | 72.3 |
|--------------------------|------|------|------|

* Excludes non-CAODC rigs.

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

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 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.