

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

PRECISION DRILLING CORP
Form 6-K
February 11, 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 February 10, 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: February 10, 2005

NEWS RELEASE

CALGARY, ALBERTA, CANADA - February 10, 2005

PRECISION DRILLING CORPORATION
ANNOUNCES RECORD ANNUAL EARNINGS

Precision Drilling Corporation ("Precision" or the "Corporation") today reports results for the year and quarter ended December 31, 2004. Diluted earnings per share for the year amounted to a record \$4.22, up 29% from \$3.26 in 2003. Fourth quarter earnings per share from continuing operations increased by 26% to \$1.40 compared to \$1.11 last year. Revenue increased by 22% in 2004 to \$2,325 million while net earnings increased by 37% to \$247 million, demonstrating the operating leverage associated with our business.

Sustained high crude oil and natural gas prices have generated a strong environment for the oilfield services business both in Canada and internationally. In addition, the acquisition of 31 internationally based drilling rigs and of Reeves Oilfield Services Ltd. in the second quarter of 2004 contributed significantly to the year over year improvement in earnings.

Contract Drilling revenue of \$377.7 million and operating earnings of \$138.1 million increased by 30% and 39% respectively in the fourth quarter of 2004 compared to the same period of 2003. The international drilling operation has performed above expectations and contributed revenue of \$74.3 million in the fourth quarter compared to \$37.1 million in 2003.

The Canadian drilling and service rig operations saw activity levels increase 4% and 13% respectively. The Canadian drilling rig fleet achieved 12,099 operating

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

days in the fourth quarter of 2004 and the service rig fleet generated 127,694 operating hours, with activity levels being supported by continued favourable commodity prices and good weather conditions. Strong demand resulted in winter pricing being maintained throughout the summer and allowed for rate increases to be implemented for the 2004/2005 winter drilling season. Drilling revenue per operating day increased by 8% and service revenue per hour increased by 14%.

Precision's international rig fleet numbered 48 at the end of 2004 compared to 19 at the end of 2003, with one rig sold and one rig relocated to Canada. The Corporation has greatly enhanced its presence in the eastern hemisphere with 28 rigs located in the region. Demand for rigs, especially in the Middle East, is on the rise and as a result recent contract awards have been for increased day rates. Venezuela, where we have 11 rigs, is also starting to see improved activity levels. Activity for the 10 rigs located in Mexico have been dampened somewhat by Pemex budget restrictions, however Precision has recently been awarded an extension of its integrated services contract that will maintain utilization at approximately 70% into 2006. We will also be participating in the bidding on drilling projects for other international operators in Mexico.

Energy Services revenue increased by \$62.1 million or 34% in the fourth quarter of 2004 compared to 2003. Operating earnings increased by \$18.9 million over the same period. The strengthening Canadian dollar resulted in foreign exchange losses of \$2.5 million in the current quarter compared to a gain of \$0.2 million in the fourth quarter of 2003.

The acquisition of Reeves Oilfield Services Ltd. in May accounted for half of the fourth quarter year over year revenue increase. As well, revenue for non-Reeves operations increased in all regions. Of particular note is the 123% revenue increase in Asia/Pacific and the 70% revenue increase in Latin America. In the Asia/Pacific region, we have seen growth in all our product lines in India and Bangladesh and operations in Indonesia have returned to profitability. The improvement in Latin America is due to a gradual increase in activity in Venezuela as that country pushes to get production levels back to what they were prior to the general strike. Revenue generated in the United States also increased by 23% as a result of increased land drilling activity spurred by sustained high commodity prices.

An important milestone was achieved in the Middle East market in the fourth quarter with the completion of field trials and qualification to perform logging-while-drilling and rotary steerable work in the region. We plan to leverage this technological success and Precision's increased presence in the region to expand Energy Services' business across all its product lines.

The Rental and Production segment saw a 14% increase in revenue and a 50% increase in operating earnings in the fourth quarter of 2004 compared to 2003. The plant maintenance business had a strong quarter with additional work coming from unplanned refinery shutdowns and from extensions of projects at the oilsands plants longer into the Christmas season than was usual. The rental operation also saw increased revenue due to increased pricing on select product lines as a result of continued strong demand for equipment.

As a result of the recent completion of a review of the useful lives of our drilling rigs and related equipment, Precision will be changing the useful life of its drilling rigs for purposes of determining depreciation expense to 5,000 days from the current 3,650 and of its drill string to 1,500 days from 1,100 days. This change in accounting estimate will be applied prospectively beginning January 1, 2005.

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Certain statements contained in this press release, including statements which are related to rising demand for rigs, especially in the Middle East, improved activity levels in Venezuela, our intention to expand Energy Services' business in the Middle East 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, including "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, 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.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

CDN \$000'S, EXCEPT PER SHARE AMOUNTS	THREE MONTHS ENDED DECEMBER 31		
	2004	2003	
	(UNAUDITED)	(unaudited)	
Revenue	\$ 679,487	\$ 523,646	\$ 2,
Expenses:			
Operating	406,398	338,140	1,
General and administrative	52,938	38,938	
Depreciation and amortization	58,487	44,912	
Research and engineering	11,480	11,577	
Foreign exchange	1,473	(1,094)	
	530,776	432,473	1,
Operating earnings	148,711	91,173	
Interest	14,928	8,298	
Gain on disposal of investments	(2,325)	(329)	
Earnings from continuing operations before income taxes and non-controlling interest	136,108	83,204	
Income taxes:			
Current	24,102	19,677	
Future	25,517	2,093	
	49,619	21,770	
Earnings from continuing operations before non-controlling interest	86,489	61,434	
Non-controlling interest	--	--	

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Earnings from continuing operations	86,489	61,434	
Discontinued operations, net of tax	1,694	(8,476)	
Net earnings	88,183	52,958	
Retained earnings, beginning of period	953,500	741,321	
Retained earnings, end of period	\$ 1,041,683	\$ 794,279	\$ 1,041,683
Earnings per share from continuing operations:			
Basic	\$ 1.42	\$ 1.12	\$ 1.42
Diluted	\$ 1.40	\$ 1.11	\$ 1.40
Earnings per share:			
Basic	\$ 1.45	\$ 0.97	\$ 1.45
Diluted	\$ 1.43	\$ 0.95	\$ 1.43
Common shares outstanding (000's)	60,790	54,846	
Weighted average shares outstanding (000's)	60,758	54,769	
Diluted shares outstanding (000's)	61,676	55,578	

CONSOLIDATED BALANCE SHEETS

CDN \$ 000'S DECEMBER 31
2004

ASSETS

Current assets:

Cash and cash equivalents	\$ 122,012
Accounts receivable	690,999
Inventory	114,352
Future income tax asset	8,711
Assets of discontinued operations	--

936,074

Property, plant and equipment, net of accumulated depreciation	1,945,521
Intangibles, net of accumulated amortization	191,665
Goodwill	735,413
Other assets	9,116
Future income tax asset	32,984
Assets of discontinued operations	--
	\$ 3,850,773

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Bank indebtedness	\$ --
-------------------	-------

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Accounts payable and accrued liabilities	340,372
Income taxes payable	31,103
Current portion of long-term debt	18
Future income tax liability	7,270
Liabilities of discontinued operations	--

	378,763
Long-term debt	718,870
Future income taxes	431,399
Future income taxes of discontinued operations	--
Non-controlling interest	--
Shareholders' equity:	
Share capital	1,274,967
Contributed surplus	26,024
Cumulative translation adjustment	(20,933)
Retained earnings	1,041,683

	2,321,741

	\$ 3,850,773
	=====
Common shares outstanding (000's)	60,790
Common share purchase options outstanding (000's)	3,348

CONSOLIDATED STATEMENTS OF CASH FLOW

	THREE MONTHS ENDED DECEMBER 31	
CDN \$000's	2004 (unaudited)	2003 (unaudited)
Cash provided by (used in):		
Continuing operations:		
Earnings from continuing operations	\$ 86,489	\$ 61,434
Items not affecting cash:		
Depreciation and amortization	58,487	44,912
Stock-based compensation	4,954	2,129
Gain on disposal of investments	(2,325)	(329)
Future income taxes	25,517	2,093
Non-controlling interest	--	--
Amortization of deferred financing costs	434	321
Unrealized foreign exchange gain on long-term monetary items	1,194	(2,308)
	-----	-----
Funds provided by operations	174,750	108,252
Changes in non-cash working capital balances	(39,304)	(14,521)
	-----	-----
	135,446	93,731
Discontinued operations:		
Funds provided by (used in) discontinued operations	\$ 3,579	\$ 400

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Changes in non-cash working capital balances of discontinued operations	--	4,877
	3,579	5,277
Investments:		
Business acquisitions	(19,812)	--
Purchase of property, plant and equipment	(89,614)	(77,483)
Purchase of intangibles	(6)	(6)
Proceeds on sale of property, plant and equipment	5,323	7,777
Proceeds on disposal of investments	2,788	386
Proceeds on disposal of discontinued operations	--	--
Investments	(90)	(350)
	(101,411)	(69,676)
Financing:		
Increase in long-term debt	--	4,288
Repayment of long-term debt	(3)	--
Deferred financing costs on long-term debt	--	--
Issuance of common shares on exercise of options	5,006	7,349
Issuance of common shares, net of cash	(27)	--
Change in bank indebtedness	--	(37,869)
	4,976	(26,232)
Increase in cash and cash equivalents	42,590	3,100
Cash and cash equivalents, beginning of period	79,422	18,270
	\$ 122,012	\$ 21,370

SEGMENT INFORMATION

THREE MONTHS ENDED DECEMBER 31, 2004 CDN \$000's (unaudited)	Contract Drilling	Energy Services	Rental and Production
Revenue	\$ 377,699	\$ 246,424	\$ 55,364
Operating earnings	138,091	14,833	11,165
Research and engineering	--	11,480	--
Depreciation and amortization	28,596	24,949	3,607
Total assets	1,920,893	1,627,572	179,521
Goodwill	350,941	355,770	28,702
Capital expenditures*	36,106	43,190	5,590
THREE MONTHS ENDED DECEMBER 31, 2003 CDN \$000's (unaudited)	Contract Drilling	Energy Services	Rental and Production
Revenue	\$ 290,940	\$ 184,294	\$ 48,412
Operating earnings	99,016	(4,020)	7,431
Research and engineering	--	11,577	--
Depreciation and amortization	19,491	20,867	3,169
Total assets	1,423,036	1,287,458	166,300

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Goodwill	257,531	241,340	28,572
Capital expenditures*	36,240	28,939	5,695

YEAR ENDED DECEMBER 31, 2004 CDN \$000's	Contract Drilling	Energy Services	Rental and Production
Revenue	\$ 1,235,410	\$ 874,314	\$ 215,492
Operating earnings	399,487	36,719	40,026
Research and engineering	--	48,759	--
Depreciation and amortization	92,161	92,477	13,806
Total assets	1,920,893	1,627,572	179,521
Goodwill	350,941	355,770	28,702
Capital expenditures*	110,192	136,091	17,201

YEAR ENDED DECEMBER 31, 2003 CDN \$000's	Contract Drilling	Energy Services	Rental and Production
Revenue	\$ 992,824	\$ 696,599	\$ 210,724
Operating earnings	284,850	(3,847)	39,067
Research and engineering	--	42,411	--
Depreciation and amortization	77,725	75,174	12,533
Total assets	1,423,036	1,287,458	166,300
Goodwill	257,531	241,340	28,572
Capital expenditures*	99,034	177,756	15,158

*excludes business acquisitions

CANADIAN DRILLING OPERATING STATISTICS

FOR THE YEARS ENDED DECEMBER
2004

	Precision	Industry*	Market Share %	Precision
Number of drilling rigs	229	700	32.7	225
Number of operating days (spud to release)	41,625	132,374	31.4	42,725
Wells drilled	7,525	21,793	34.5	8,451
Average days per well	5.5	6.1		5.1
Metres drilled (000's)	8,021	23,526	34.1	8,604
Average metres per day	193	178		201
Average metres per well	1,066	1,080		1,018
Rig utilization rate (%)	50.3	52.9		52.0

* Excludes non-CAODC rigs.

A conference call to review the year-end results has been scheduled for 12:00 noon MST on Thursday, February 10, 2005. The conference call dial-in number is

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

1-800-814-4857.

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, corporate subsidiary offices in 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, TELEPHONE: (403) 716-4500, FAX: (403) 264-0251; WEBSITE: WWW.PRECISIONDRILLING.COM.