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PRECISION DRILLING CORP
Form 6-K
July 28, 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 July 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

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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: July 28, 2005

Calgary, Alberta, Canada - July 28, 2005

PRECISION DRILLING CORPORATION ANNOUNCES RESULTS FOR THE SECOND QUARTER

Precision Drilling Corporation ("Precision" or the "Corporation") announced today that net earnings for the second quarter of 2005 was \$25.9 million or \$0.21 per diluted share, compared to \$16.0 million or \$0.14 per diluted share for the second quarter of 2004. Net earnings from continuing operations was \$9.3 million or \$0.07 per diluted share compared to \$10.1 million or \$0.09 per diluted share in 2004.

During the quarter, the Corporation entered into a definitive agreement to sell its Energy Services and International Contract Drilling divisions for approximately US\$2.28 billion with the transaction expected to close on or about September 1, 2005. The Corporation is also negotiating with a third party for the sale of its industrial and plant maintenance business carried on by CEDA. As a result, these businesses have been classified as discontinued operations with continuing operations now being comprised of Canadian contract drilling, service rig, snubbing, rentals, and related services businesses.

With respect to the continuing businesses, the Corporation announced in June 2005 that it was undertaking an examination of the available strategic alternatives, including determining the viability and method of conversion to an income trust. Although the Board of Directors has not made any decision with respect to any specific course of action at this time, it has retained the appropriate financial, accounting, legal and tax advisors to assist it in identifying and assessing issues pertaining to a conversion to an income trust. Any conversion alternatives available to Precision will be subject to review by, and approval of the Board of Directors and will also be subject to receipt of all required shareholder and regulatory approvals.

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RESULTS OF CONTINUING OPERATIONS

| THREE MONTHS ENDED JUNE 30, | 2005 | 2004 |
|---|---------|---------|
| Number of drilling rigs (end of period) | 229 | 225 |
| Drilling operating days | 6,049 | 5,279 |
| Drilling revenue per operating day | 16,578 | 15,561 |
| Number of service rigs (end of period) | 239 | 239 |
| Service rig operating hours | 72,814 | 80,986 |
| Service revenue per operating hour | 530 | 458 |
| ===== | | |
| SIX MONTHS ENDED JUNE 30, | 2005 | 2004 |
| Number of drilling rigs (end of period) | 229 | 225 |
| Drilling operating days | 20,048 | 20,047 |
| Drilling revenue per operating day | 17,951 | 16,506 |
| Number of service rigs (end of period) | 239 | 239 |
| Service rig operating hours | 212,488 | 231,679 |
| Service revenue per operating hour | 576 | 507 |
| ===== | | |

As usual in the second quarter, weather conditions were a significant factor affecting activity levels. An early spring break-up and dry conditions in May were boding well for a very strong second quarter. These favorable conditions came to an abrupt halt in June as record rainfall in Alberta slowed the movement of oilfield equipment.

Demand for all services remains very strong with winter rates being maintained for the most part throughout the second quarter. The healthy backlog of work should give service providers pricing leverage going into the upcoming winter season.

Operating costs have escalated somewhat as a result of crew wage increases implemented in October 2004 and increases in third party materials and labor required for equipment maintenance programs. General and administrative costs have increased year over year due to a number of factors including increased expense associated with options granted in the last half of 2004, financial advisory and legal fees, severance costs and additional expenses related to both internal and external audit functions.

The effective tax rate has increased in 2005 as a result of the increased options expense, which is not deductible for tax purposes, and as a result of a tax law change in the second quarter that was effective January 1, 2005.

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

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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.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

| CDN \$000'S, EXCEPT PER SHARE AMOUNTS (UNAUDITED) | THREE MONTHS ENDED JUNE 30, | | |
|--|--------------------------------|------------|--------|
| | 2005 | 2004 | |
| Revenue | \$ 157,895 | \$ 134,963 | \$ 5 |
| Expenses: | | | |
| Operating | 101,580 | 92,253 | 2 |
| General and administrative | 20,215 | 12,031 | |
| Depreciation and amortization | 11,804 | 11,779 | |
| Foreign exchange | (209) | (5,165) | |
| | 133,390 | 110,898 | 3 |
| Operating earnings | 24,505 | 24,065 | 1 |
| Interest | 10,802 | 10,257 | |
| Gain on disposal of investments | - | (42) | |
| Earnings from continuing operations before income taxes: | 13,703 | 13,850 | 1 |
| Income taxes: | | | |
| Current | 662 | 13,755 | |
| Future | 3,733 | (10,032) | |
| | 4,395 | 3,723 | |
| Earnings from continuing operations | 9,308 | 10,127 | |
| Discontinued operations, net of tax | 16,543 | 5,868 | |
| Net earnings | 25,851 | 15,995 | 1 |
| Retained earnings, beginning of period | 1,180,201 | 894,798 | 1,0 |
| Retained earnings, end of period | \$ 1,206,052 | \$ 910,793 | \$ 1,2 |

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Earnings per share from continuing operations:

| | | | | | |
|---------|----|------|----|------|----|
| Basic | \$ | 0.08 | \$ | 0.09 | \$ |
| Diluted | \$ | 0.07 | \$ | 0.09 | \$ |

Earnings per share:

| | | | | | |
|---------|----|------|----|------|----|
| Basic | \$ | 0.21 | \$ | 0.14 | \$ |
| Diluted | \$ | 0.21 | \$ | 0.14 | \$ |

| | | | |
|---|---------|---------|---|
| Common shares outstanding (000's) | 122,762 | 111,817 | 1 |
| Weighted average shares outstanding (000's) | 122,727 | 111,741 | 1 |
| Diluted shares outstanding (000's) | 125,013 | 113,098 | 1 |

CONSOLIDATED BALANCE SHEETS

| CDN \$000'S | JUNE 30, 2005 |
|--|------------------|
| | (UNAUDITED) |
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 306,538 |
| Accounts receivable | 207,543 |
| Income taxes recoverable | 1,793 |
| Inventory | 6,711 |
| Assets of discontinued operations | 541,148 |
| | 1,063,733 |
| Property, plant and equipment, net of accumulated depreciation | 927,592 |
| Intangibles, net of accumulated amortization | 511 |
| Goodwill | 266,827 |
| Other assets | 8,200 |
| Assets of discontinued operations | 1,742,143 |
| | \$ 4,009,006 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | \$ 92,513 |
| Income taxes payable | - |
| Liabilities of discontinued operations | 234,511 |
| | 327,024 |
| Long-term debt | 719,240 |
| Future income taxes | 367,176 |
| Future income taxes of discontinued operations | 75,110 |
| Shareholders' equity: | |
| Share capital | 1,301,886 |
| Contributed surplus | 33,631 |

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| | |
|-----------------------------------|-----------|
| Cumulative translation adjustment | (21,113) |
| Retained earnings | 1,206,052 |

2,520,456

\$ 4,009,006
=====

| | |
|---|---------|
| Common shares outstanding (000's) | 122,762 |
| Common share purchase options outstanding (000's) | 5,858 |

CONSOLIDATED STATEMENTS OF CASH FLOW

THREE MONTHS ENDED
JUNE 30,

| CDN \$000'S (UNAUDITED) | 2005 | 2004 | 2003 |
|---|----------|-----------|------|
| Cash provided by (used in): | | | |
| Continuing operations: | | | |
| Earnings from continuing operations | \$ 9,308 | \$ 10,127 | \$ |
| Items not affecting cash: | | | |
| Stock-based compensation | 2,684 | 1,414 | |
| Depreciation and amortization | 11,804 | 11,779 | |
| Gain on disposal of investments | - | (42) | |
| Future income taxes | 3,733 | (10,032) | |
| Amortization of deferred financing costs | 458 | 360 | |
| Unrealized foreign exchange gain on long-term monetary items | (14) | (2,568) | |
| Funds provided by continuing operations | 27,973 | 11,038 | 1 |
| Changes in non-cash working capital balances | 89,749 | 175,671 | |
| | 117,722 | 186,709 | 2 |
| Discontinued operations: | | | |
| Funds provided by discontinued operations | 59,633 | 27,709 | 1 |
| Changes in non-cash working capital balances of discontinued operations | 28,880 | (18,447) | (|
| | 88,513 | 9,262 | |
| Investments: | | | |
| Business acquisitions | - | (658,212) | |
| Purchase of property, plant and equipment | (88,490) | (55,253) | (1 |
| Purchase of intangibles | - | - | |
| Proceeds on sale of property, plant and equipment | 8,609 | 6,533 | |
| Proceeds on disposal of investments | - | 48 | |
| Proceeds on disposal of discontinued operations | - | 15,000 | |
| Investments | - | (1,340) | |
| | (79,861) | (693,224) | (1 |

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Financing:

| | | |
|--|-------|---------|
| Increase in long-term debt | - | 520,873 |
| Repayment of long-term debt | (5) | (6,898) |
| Deferred financing costs on long-term debt | - | (4,985) |
| Issuance of common shares on exercise of options | 2,626 | 6,236 |
| Change in bank indebtedness | - | 2,533 |
| | 2,621 | 517,759 |

| | | | |
|--|------------|-----------|------|
| Increase in cash and cash equivalents | 128,975 | 20,506 | 1 |
| Cash and cash equivalents, beginning of period | 177,563 | 20,209 | 1 |
| Cash and cash equivalents, end of period | \$ 306,538 | \$ 40,715 | \$ 3 |

CANADIAN DRILLING OPERATING STATISTICS

FOR THE SIX MONTHS ENDED JUNE 30,
2005

| | Precision | Industry* | Market Share % | Precision | Indu |
|--|-----------|-----------|----------------|-----------|------|
| Number of drilling rigs | 229 | 732 | 31.3 | 225 | |
| Number of operating days (spud to release) | 20,048 | 65,453 | 30.6 | 20,047 | 6 |
| Wells drilled | 3,504 | 10,126 | 34.6 | 3,530 | |
| Average days per well | 5.7 | 6.5 | | 5.7 | |
| Metres drilled (000's) | 3,936 | 11,698 | 33.6 | 3,799 | 1 |
| Average metres/day | 196 | 179 | | 190 | |
| Average metres/well | 1,123 | 1,155 | | 1,076 | |
| Rig utilization rate (%) | 48.4 | 50.4 | | 48.9 | |

* Excludes non-CAODC rigs.

A conference call to review the second quarter 2005 results has been scheduled for 12:00 noon MST on Thursday, July 28, 2005. The conference call dial-in number is 1-800-814-4941.

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.