

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

PRECISION DRILLING CORP
Form 6-K
July 31, 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 July 31, 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/ Dale E. Tremblay

Dale E. Tremblay
Senior Vice President Finance &
Chief Financial Officer

Date: July 31, 2003

Calgary, Alberta, Canada - July 31, 2003

PRECISION DRILLING CORPORATION ANNOUNCES IMPROVED SECOND QUARTER RESULTS

Precision Drilling Corporation ("Precision" or the "Corporation") today reports earnings per share from continuing operations for the three months ended June 30, 2003 of \$0.12 compared to \$0.03 in the same quarter of 2002. Included in earnings from continuing operations is a \$1.2 million (\$0.02 per share) gain on disposal of equity investments and a \$4.3 million (\$0.05 per share) write down of operating assets in the Technology Services segment. Also during the quarter the Corporation sold its interest in an Argentinean drilling rig joint venture realizing a gain on disposal of discontinued operations of \$4.4 million or \$0.08 per share, bringing total earnings per share to \$0.20. For the six month period ended June 30, 2003, earnings per share from continuing operations was \$1.42 compared to \$1.22 for the same period in 2002.

Revenue of \$356.6 million for the quarter increased by \$32.2 million or 10% over the prior year. The majority of this increase came from the Corporation's Canadian operations. Uncertainty as to the timing and duration of spring breakup always presents challenges in predicting second quarter operating results and this year was no exception. Strong first quarter demand for services continued into the second quarter; however activity levels were curtailed by heavy snowfalls late in the season and extended periods of rain throughout most of the Western Canadian Sedimentary Basin limiting access to drilling sites. During the quarter Precision had as many as 80 drilling rigs waiting on weather conditions to allow them to go to work. The Corporation's Canadian operations should continue to be the driver for improved earnings in 2003. Customer requests for services indicate that the activity shortfall experienced in the second quarter should be made up in the second half of the year.

The Contract Drilling segment's revenue increased by 14% to \$139.1 million in the second quarter compared to \$122.1 million in the same quarter last year. For

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

the six-months ended June 30, revenue increased 11% from 2002.

In Canada, the rig fleet achieved 5,605 operating days for a utilization rate of 27% in the quarter compared to 4,146 operating days in the same quarter last year with a 20% utilization rate. The increase in rig operating days of 35% for the quarter and 23% for the six-month period follows the overall industry activity. Average day rates were down year over year. Soft demand for rigs resulted in reduced rates in the latter half of 2002. These lower rates carried through to 2003. Pricing in Canada is expected to improve in 2003 as anticipated activity reaches record levels.

During the second quarter the Corporation experienced an increase in international drilling activity as the number of days increased over the same quarter in 2002 by 27% to 895 days. The increase in days is the result of increased activity in Mexico and a one rig project in India. The Corporation has entered into a second rig contract in India, is mobilizing another rig to the Middle East and is adding three rigs to its fleet in Mexico.

The service rig fleet generated 77,018 operating hours in the second quarter, up 3% from the same quarter last year. Average hourly rates have remained consistent with the second quarter of 2002.

In the second quarter, revenue for the Technology Services segment was 5% higher than the comparable quarter of 2002. Increases were experienced in all geographical locations except Europe/Africa and the Mexico integrated services project. The most significant increase was realized in the Middle East division where revenue increased \$6.7 million, or 113%, due to a wireline contract in Yemen and additional Controlled Pressure Drilling contracts. The US region has experienced month over month growth in line with the increased rig count. Revenue for the quarter was contributed from Canada at 31% (2002 - 32%), US 26% (2002- 24%) and International 43% (2002 - 44%).

Operating earnings as a percentage of revenue improved moderately from a loss of 11% in the second quarter of 2002 to a loss of 10% this year. Excluding the \$4.3 million writedown of operating assets, operating earnings as a percentage of revenue would have been a loss of 7%. Depreciation expense increased as a result of asset writedowns, increased capital assets and a gain on disposal of capital assets in 2002 of \$2.7 million compared to a loss on disposal in 2003 of \$0.4 million. Total capital expenditures in the Technology Services segment in the last twelve months have been \$233.3 million.

The steps initiated in the first quarter to reduce costs and improve profitability are continuing. In certain international locations these steps have proven to be a significant challenge and will require more time and attention to achieve desired results.

The Technology Services segment continues with its new tool build program. Management continues to focus on prioritizing the deployment of these new tools and improving the efficiency of operations in the Technology Services segment.

The Rental and Production segment experienced an increase in revenue of 16% over the prior year to \$63.8 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 the activity levels in Canada. Industrial plant maintenance revenue was up on the prior year by 11% due to an increase in activity in Canada. Due to the seasonality of the business, the second quarter of a year is typically the busiest quarter for industrial plant maintenance.

Certain statements contained in this press release, including statements which are related to drivers for improved earnings, customer requests for services and

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

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 JUNE 30,		
	2003	2002	
Revenue	\$ 356,561	\$ 324,328	\$ 9
Expenses:			
Operating	267,595	241,571	6
General and administrative	31,952	37,835	
Depreciation and amortization	37,914	29,904	
Research and engineering	8,364	8,227	
Foreign exchange	568	4,214	
	346,393	321,751	8
Operating earnings	10,168	2,577	1
Interest	8,965	8,543	
Dividend income	--	(39)	
Gain on disposal of investments	(1,164)	--	
Earnings before income taxes, non-controlling interest and discontinued operations	2,367	(5,927)	1
Income taxes:			
Current	10,882	11,953	
Future	(15,268)	(19,726)	
	(4,386)	(7,773)	
Earnings before non-controlling interest and discontinued operations	6,753	1,846	
Non-controlling interest	280	434	
Earnings from continuing operations	6,473	1,412	
Gain on disposal of discontinued operations	4,389	--	
Discontinued operations, net of tax	--	1,915	

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Net earnings	10,862	3,327	6
Retained earnings, beginning of period	704,981	595,648	

Retained earnings, end of period	\$ 715,843	\$ 598,975	\$ 7
=====			
Earnings per share from continuing operations:			
Basic	\$ 0.12	\$ 0.03	\$
Diluted	\$ 0.12	\$ 0.03	\$
=====			
Earnings per share:			
Basic	\$ 0.20	\$ 0.06	\$
Diluted	\$ 0.20	\$ 0.06	\$
=====			
Common shares outstanding (000's)	54,399	53,877	
Weighted average shares outstanding (000's)	54,325	53,612	
Diluted shares outstanding (000's)	55,203	55,047	

CONSOLIDATED BALANCE SHEETS

CDN \$000's	JUNE 30, 2003
	(unaudited)
ASSETS	
Current assets:	
Cash	\$ 10,957
Accounts receivable	414,956
Income taxes recoverable	7,568
Inventory	114,081

	547,562
Property, plant and equipment, net of accumulated depreciation	1,573,462
Intangibles, net of accumulated amortization	69,150
Goodwill	537,692
Other assets	11,217

	\$ 2,739,083
=====	
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Bank indebtedness	\$ 114,503
Accounts payable and accrued liabilities	237,890
Current portion of long-term debt	22,653

	375,046
Long-term debt	411,144
Future income taxes	311,400

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Non-controlling interest	2,585
Shareholders' equity:	
Share capital	923,065
Retained earnings	715,843

	1,638,908

	\$ 2,739,083
	=====
Common shares outstanding (000's)	54,399
Common share purchase options outstanding (000's)	3,741

CONSOLIDATED STATEMENTS OF CASH FLOW

CDN \$000's (unaudited)	THREE MONTHS ENDED		
	2003	JUNE 30, 2002	

Cash provided by (used in):			
Continuing operations:			
Net earnings	\$ 6,473	\$ 1,412	\$ 7
Items not affecting cash:			
Depreciation and amortization	37,914	29,904	8
Gain on disposal of investments	(1,164)	--	(
Future income taxes	(15,268)	(19,726)	(
Non-controlling interest	280	434	
Amortization of deferred financing costs	322	324	
Unrealized foreign exchange gain on long-term debt	(7,807)	(2,854)	(1
	-----	-----	-----
Funds provided by continuing operations	20,750	9,494	15
Changes in non-cash working capital balances	149,607	124,842	(
	-----	-----	-----
	170,357	134,336	15
Discontinued operations:			
Net earnings	4,389	1,915	1
Items not affecting cash:			
Gain on disposal of discontinued operations	(4,389)	--	(1
Depreciation and amortization	--	593	
Future income taxes	--	(45)	
	-----	-----	-----
Funds provided by discontinued operations	--	2,463	
Investments:			
Business acquisitions	--	--	(
Purchase of property, plant and equipment	(91,657)	(59,612)	(16
Purchase of intangibles	--	(1,971)	
Proceeds on sale of property, plant and equipment	6,909	11,144	1
Proceeds on disposal of discontinued operations	6,914	--	6
Proceeds on disposal of investments	7,620	--	

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Investments	(115)	--	
	(70,329)	(50,439)	(9)
Financing:			
Increase in long-term debt	--	--	4
Repayment of long-term debt	(135,731)	(80,100)	(14)
Issuance of common shares on exercise of options	3,940	14,603	1
Change in bank indebtedness	16,023	(483)	1
	(115,768)	(65,980)	(6)
Increase (decrease) in cash	(15,740)	20,380	(
Cash, beginning of period	26,697	6,838	1
Cash, end of period	\$ 10,957	\$ 27,218	\$ 1

SEGMENT INFORMATION

THREE MONTHS ENDED JUNE 30, 2003 CDN \$000's (unaudited)	Contract Drilling	Technology Services	Rental and Production	Corpo and O
Revenue	\$ 139,082	\$ 153,647	\$ 63,832	\$
Operating earnings	19,552	(15,449)	14,275	(8
Research and engineering	--	8,364	--	
Depreciation and amortization	12,660	21,085	2,973	1
Total assets	1,274,722	1,225,377	178,104	60
Goodwill	257,531	251,589	28,572	
Capital expenditures	21,698	61,180	3,345	5

THREE MONTHS ENDED JUNE 30, 2002 CDN \$000's (unaudited)	Contract Drilling	Technology Services	Rental and Production	Corpo and O
Revenue	\$ 122,120	\$ 146,991	\$ 55,217	\$
Operating earnings	15,764	(15,965)	10,480	(7
Research and engineering	--	8,227	--	
Depreciation and amortization	11,479	13,986	3,370	1
Total assets	1,259,952	1,027,329	237,227	80
Goodwill	257,531	250,045	37,801	
Capital expenditures	9,163	48,859	3,099	

SIX MONTHS ENDED JUNE 30, 2003 (1) CDN \$000's (unaudited)	Contract Drilling	Technology Services	Rental and Production	Corpo and O
---	----------------------	------------------------	--------------------------	----------------

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Revenue	\$ 474,394	\$ 368,387	\$ 113,453	\$
Operating earnings	124,315	(6,485)	22,610	(14
Research and engineering	--	17,645	--	
Depreciation and amortization	38,273	41,593	6,292	2
Total assets	1,274,722	1,225,377	178,104	60
Goodwill	257,531	251,589	28,572	
Capital expenditures*	29,996	121,208	7,194	9

SIX MONTHS ENDED JUNE 30, 2002				
CDN \$000's (unaudited)	Contract	Technology	Rental and	Corpo
	Drilling	Services	Production	and O

Revenue	\$ 426,680	\$ 333,187	\$ 103,064	\$
Operating earnings	117,861	(7,942)	19,473	(15
Research and engineering	--	16,288	--	
Depreciation and amortization	32,030	29,676	6,664	2
Total assets	1,259,952	1,027,329	237,227	80
Goodwill	257,531	250,045	37,801	
Capital expenditures	19,004	77,022	11,710	

* EXCLUDES BUSINESS ACQUISITIONS

- (1) CERTAIN EXPENSES HAVE BEEN RECLASSIFIED BETWEEN SEGMENTS TO MORE APPROPRIATELY REFLECT OPERATING EARNINGS.

CANADIAN DRILLING OPERATING STATISTICS

FOR THE SIX MONTHS ENDED JUNE 30,
2003

	Precision	Industry*	Market Share %	Precision
Number of drilling rigs	226	651	34.7	223
Number of operating days (spud to release)	20,246	59,815	33.8	16,435
Wells drilled	3,496	8,533	41.0	2,598
Average days per well	5.8	7.0		6.3
Metres drilled (000's)	3,643	9,272	39.3	2,827
Average metres/day	180	155		172
Average metres/well	1,042	1,087		1,088
Rig utilization rate (%)	49.6	51.0		40.4

* Excludes non-CAODC rigs.

A conference call to review the second quarter 2003 results has been scheduled for 12:00 noon MST on Thursday, July 31, 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.

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Precision, headquartered in Calgary, Alberta, Canada, is the largest Canadian 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.