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PRECISION DRILLING CORP
Form 6-K
February 12, 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 February 12, 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

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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: February 12, 2004

Calgary, Alberta, Canada - February 12, 2004

PRECISION DRILLING CORPORATION ANNOUNCES 105% INCREASE IN ANNUAL EARNINGS

Precision Drilling Corporation ("Precision" or the "Corporation") today reports results for the year and quarter ended December 31, 2003. Diluted earnings per share for the year increased 105% to \$3.41 compared to \$1.66 in 2002. Reflecting the strong activity levels in the Canadian market, fourth quarter diluted earnings per share from continuing operations increased to \$1.17 compared to \$0.12 last year. Included in earnings from continuing operations for the fourth quarter of 2003 are \$3.9 million (\$0.05 per share) of charges associated with the write down of operating assets in the Technology Services segment. Losses from discontinued operations amounted to \$0.18 per share in the fourth quarter of 2003 bringing net earnings for the period to \$0.99 per share.

The review of the business plan for the Technology Services segment was completed in the fourth quarter of 2003. One of the outcomes of this process was the identification of two product lines, namely pressure pumping and completion services carried on by the Fleet Cementers and Polar Completions divisions respectively, as being not core to the segment's ongoing growth initiatives. As a result, a program has been initiated to dispose of these businesses and discussions are being held with interested parties. Results of operations for these businesses along with those of Energy Industries, which was sold effective January 1, 2003, have been classified as results from discontinued operations.

The Canadian market has been the significant driver for Precision's improved results. Sustained high natural gas and crude oil prices combined with favorable weather conditions in Canada have generated a strong business environment.

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Commodity prices were also relatively high in 2002, however, concern over their sustainment at these high levels have led customers to use a significant portion of their cash flow to strengthen their balance sheets.

Contract Drilling revenue of \$290.9 million and operating earnings of \$99.2 million increased by 54% and 152% respectively in the fourth quarter of 2003 compared to the same period of 2002. The Canadian drilling and service rig operations saw activity levels increase 46% and 19% respectively. The Canadian drilling fleet achieved 11,631 operating days in the fourth quarter of 2003 and the service rig fleet generated 113,134 operating hours. The heightened activity levels brought increased pricing as drilling revenue per operating day increased by 16% and service revenue per hour increased by 11%.

Precision's international rig fleet grew to 19 at the end of 2003 compared to 16 at the end of 2002. International rig operating days increased by 56% to 1,247 in the fourth quarter of 2003 compared to 2002. Over half of the activity increase came from Mexico where the fleet now numbers 10 rigs with the addition of 3 rigs as part of the Burgos project extension. Activity in Venezuela has also improved with 4 rigs being fully utilized throughout the fourth quarter of 2003. Additional operating days generated by contracts in Asia Pacific and the Middle East rounded out the activity increase. The positive impact of activity increases on the profitability of the international drilling operation was offset somewhat by the devaluation of the US dollar versus the Canadian dollar.

Technology Services revenue increased by \$52.3 million or 38% to \$189.3 million in the fourth quarter of 2003 compared to 2002. Operating earnings, which included a \$3.9 million write down of operating assets, increased by \$21.5 million over the same period.

Revenue increased in all regions but two while operating earnings increased in all regions except one. Over half of the segment's revenue increase was generated in Canada where operating activity increased in conjunction with the rise in active drilling rigs which, in turn resulted in pricing improvement for our services. Similarly, US activity rose as the active land rig count increased from 856 in December 2002 to 1,114 in December 2003. The US also experienced rate increases, which combined with renewed focus on cost control, generated significant improvement in profitability. The segment's Mexican operations benefited from the extension of the Burgos project and also from additional contract awards in that country. Business in Latin America improved with the pick up of activity in Venezuela.

The Rental and Production segment saw a 12% increase in revenue and an 86% increase in operating earnings in the fourth quarter of 2003 compared to 2002. Much of the improvement came from the rental operation which had 225,000 equipment rental days compared to 157,000 in 2002, reflecting the strong activity levels in the Canadian market. The plant maintenance business had strong results from its Canadian industrial group, which saw a 17% year over year increase in fourth quarter revenue, and from its mechanical group which continues to experience growth in services provided to the oilsands projects.

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

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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	THREE MONTHS ENDED DECEMBER 31		YEARS DECEMBER
	2003	2002	2003
	(UNAUDITED)	(Unaudited)	
Revenue	\$ 528,697	\$ 369,649	\$ 1,917,933
Expenses:			
Operating	341,034	273,882	1,273,434
General and administrative	35,585	35,622	136,747
Depreciation and amortization	45,011	35,048	170,788
Research and engineering	11,465	9,584	42,419
Foreign exchange	(905)	699	(2,565)
	432,190	354,835	1,620,823
Operating earnings	96,507	14,814	297,110
Interest	8,298	9,045	35,050
Dividend income	--	--	--
Loss (gain) on disposal of investments	(329)	100	(3,355)
Earnings from continuing operations before income taxes and non-controlling interest	88,538	5,669	265,415
Income taxes:			
Current	20,546	3,564	59,681
Future	2,093	(4,849)	12,851
	22,639	(1,285)	72,532
Earnings from continuing operations before non-controlling interest	65,899	6,954	192,883
Non-controlling interest	912	93	1,752
Earnings from continuing operations	64,987	6,861	191,131
Gain on disposal of discontinued operations	--	--	17,460
Discontinued operations	(9,842)	2,002	(19,915)
Net earnings	55,145	8,863	188,676
Retained earnings, beginning of period	753,615	611,221	620,084
Retained earnings, end of period	\$ 808,760	\$ 620,084	\$ 808,760
Earnings per share from continuing operations:			
Basic	\$ 1.19	\$ 0.13	\$ 3.51

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Diluted	\$	1.17	\$	0.12	\$	3.46
Earnings per share:						
Basic	\$	1.01	\$	0.16	\$	3.47
Diluted	\$	0.99	\$	0.16	\$	3.41
Common shares outstanding (000's)		54,846		54,067		54,846
Weighted average shares outstanding (000's)		54,769		54,006		54,430
Diluted shares outstanding (000's)		55,578		55,121		55,299

CONSOLIDATED BALANCE SHEETS

CDN \$ 000'S	DECEMBER 31 2003	December 2002
ASSETS		
Current assets:		
Cash	\$ 21,370	\$ 17,311
Accounts receivable	544,850	431,333
Income taxes recoverable	--	8,711
Inventory	99,088	92,744
Assets of discontinued operations	21,150	51,722
	686,458	601,820
Property, plant and equipment, net of accumulated depreciation	1,588,250	1,457,271
Intangibles, net of accumulated amortization	65,262	71,355
Goodwill	527,443	527,444
Other assets	8,932	17,444
Assets of discontinued operations	32,040	84,671
	\$2,908,385	\$2,760,011
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	\$ 147,909	\$ 95,321
Accounts payable and accrued liabilities	260,545	257,911
Income taxes payable	7,373	--
Current portion of long-term debt	17,158	27,091
Liabilities of discontinued operations	5,212	11,231
	438,197	391,554
Long-term debt	399,422	514,871
Future income taxes	320,599	311,161
Future income taxes of discontinued operations	1,107	7,381
Non-controlling interest	3,771	2,011
Shareholders' equity:		
Share capital	936,529	912,911
Retained earnings	808,760	620,081

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1,745,289 1,533,00

\$2,908,385 \$2,760,01

CONSOLIDATED STATEMENTS OF CASH FLOW

CDN \$000's	THREE MONTHS ENDED DECEMBER 31		YEARS ENDED DECEMBER 31	
	2003 (Unaudited)	2002 (Unaudited)	2003	2002
Cash provided by (used in):				
Operations:				
Earnings from continuing operations	\$ 64,987	\$ 6,861	\$ 191,131	\$ 8,861
Items not affecting cash:				
Depreciation and amortization	45,011	35,048	170,788	133,048
Future income taxes	2,093	(4,849)	12,851	(3,355)
Loss (gain) on disposal of investments	(329)	100	(3,355)	
Amortization of deferred financing costs	321	323	1,286	
Unrealized foreign exchange gain on long-term monetary items	(2,308)	(2,481)	(16,433)	(1,286)
Non-controlling interest	912	93	1,752	
Funds provided by operations	110,687	35,095	358,020	188,861
Changes in non-cash working capital balances	(13,939)	(11,505)	(101,146)	(101,146)
	96,748	23,590	256,874	188,861
Discontinued operations:				
Funds provided by (used in) discontinued operations	\$ (2,034)	\$ 4,527	\$ (5,692)	\$ 4,527
Changes in non-cash working capital balances of discontinued operations	4,294	(399)	7,245	
	2,260	4,128	1,553	4,527
Investments:				
Business acquisitions, net of cash required	--	(1,544)	(6,800)	(6,800)
Purchase of property, plant and equipment	(77,489)	(101,431)	(314,921)	(266,431)
Purchase of intangibles	--	(2,049)	(6)	(6)
Proceeds on sale of property, plant and equipment	7,777	6,761	24,423	33,761
Proceeds on disposal of investments	386	--	10,966	
Investments	(350)	(5,525)	(1,080)	(5,525)
Proceeds on disposal of discontinued operations	--	--	67,274	
	(69,676)	(103,788)	(220,144)	(220,144)
Financing:				
Increase in long-term debt	4,288	84,754	85,228	111,754
Repayment of long-term debt	--	(9,836)	(145,657)	(100,836)
Issuance of common shares	7,349	3,905	23,613	23,613
Change in bank indebtedness	(37,869)	(9,554)	2,588	

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	(26,232)	69,269	(34,228)	5
Increase (decrease) in cash	3,100	(6,801)	4,055	
Cash, beginning of period	18,270	24,116	17,315	1

Cash, end of period	\$ 21,370	\$ 17,315	\$ 21,370	\$ 1
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SEGMENT INFORMATION

THREE MONTHS ENDED DECEMBER 31, 2003 CDN \$000's (unaudited)	Contract Drilling	Technology Services	Rental and Production	Corporate and Other
Revenue	\$ 290,940	\$ 189,345	\$ 48,412	\$ --
Operating earnings	99,161	(617)	7,493	(9,530)
Research and engineering	--	11,465	--	--
Depreciation and amortization	19,491	20,966	3,169	1,385
Total assets	1,423,036	1,257,235	166,300	61,814
Goodwill	257,531	241,340	28,572	--
Capital expenditures*	36,240	28,939	5,695	6,615

THREE MONTHS ENDED DECEMBER 31, 2002 CDN \$000's (unaudited)	Contract Drilling	Technology Services	Rental and Production	Corporate and Other
Revenue	\$ 189,010	\$ 137,075	\$ 43,392	\$ 172
Operating earnings	39,365	(22,149)	4,035	(6,437)
Research and engineering	--	9,584	--	--
Depreciation and amortization	16,097	14,600	3,227	1,124
Total assets	1,312,459	1,127,550	240,842	79,164
Goodwill	257,531	241,340	28,572	--
Capital expenditures*	21,152	67,763	7,399	7,166

TWELVE MONTHS ENDED DECEMBER 31, 2003 CDN \$000's	Contract Drilling	Technology Services	Rental and Production	Corporate and Other
Revenue	\$ 992,824	\$ 714,385	\$ 210,724	\$ --
Operating earnings	285,753	4,842	39,350	(32,835)
Research and engineering	--	42,419	--	--
Depreciation and amortization	77,725	75,578	12,533	4,952
Total assets	1,423,036	1,257,235	166,300	61,814
Goodwill	257,531	241,340	28,572	--
Capital expenditures*	99,034	177,756	15,158	22,979

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TWELVE MONTHS ENDED DECEMBER 31, 2002 CDN \$000's	Contract Drilling	Technology Services	Rental and Production	Corporate and Other
Revenue	\$ 770,147	\$ 603,088	\$ 192,840	\$ 1,431
Operating earnings	184,553	(31,733)	30,090	(27,351)
Research and engineering	--	34,862	--	--
Depreciation and amortization	62,524	53,347	13,159	4,354
Total assets	1,312,459	1,127,550	240,842	79,164
Goodwill	257,531	241,340	28,572	--
Capital expenditures*	50,686	189,092	22,346	9,868

* excludes business acquisitions

CANADIAN DRILLING OPERATING STATISTICS

	FOR THE YEARS ENDED DECEMBER 31,				
	2003			2002	
	Precision	Industry*	Market Share %	Precision	Industry
Number of drilling rigs	225	660	34.1	226	644
Number of operating days (spud to release)	42,725	126,457	33.8	31,363	91,958
Wells drilled	8,451	20,694	40.8	6,315	14,920
Average days per well	5.1	6.1		5.0	6.2
Metres drilled (000's)	8,604	21,802	39.5	6,222	15,708
Average meters per day	201	172		198	171
Average meters per well	1,018	1,054		985	1,053
Rig utilization rate (%)	52.0	53.1		38.3	39.1

* Excludes non-CAODC rigs.

A conference call to review the year-end results has been scheduled for 12:00 noon MST on Thursday, February 12, 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,

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