PRECISION DRILLING CORP
Form 6-K
May 05, 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 May 5, 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 [X]

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 [X]

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: May 5, 2004

In connection with its First Quarter Report to Shareholders and Consolidated Financial Statements furnished on this Form 6-K, Precision Drilling Corporation is voluntarily filing certifications by its Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and voluntarily furnishing certifications by its Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

2004 PRECISION DRILLING CORPORATION INTERIM REPORT
Period ended March 31

MANAGEMENT'S DISCUSSION AND ANALYSIS

HIGHLIGHTS

Three months ended March 31, (Stated in thousands of dollars, except per share amounts)	2004	2003
FINANCIAL RESULTS		
Revenue	$ 665,165	$ 587,970
Operating earnings (1)	173,196	118,851
Earnings from continuing operations	107,438	74,146
Net earnings	100,519	83,129
Diluted earnings per share:		
From continuing operations	1.91	1.34
After discontinued operations	1.79	1.51
Funds provided by continuing operations	180,496	132,402

	MARCH 31, 2004	December 31, 200

FINANCIAL POSITION		
Working capital	$ 421,795	$ 248,26
Long-term debt (2)	391,172	399,42
Long-term debt to long-term debt plus equity (2)	0.17	0.1

(1) See explanation on page 6
(2) Excludes current portion of long-term debt

REVENUE ($ Millions)	CONTRACT DRILLING GROUP	TECHNOLOGY SERVICES	RENTAL AND PRODUCTION	TOTAL
2000	231	94	40	
2001	356	175	47	
2002	305	175	48	
2003	335	203	50	
2004	387	227	51	
OPER. EARNINGS ($ Millions)				
2000	75	14	10	
2001	116	35	12	
2002	102	9	9	
2003	105	13	8	
2004	149	30	10	

OVERVIEW

Earnings per share from continuing operations for the three months ended March 31, 2004 was $1.91 compared to $1.34 in the same quarter of 2003, while net earnings per share were $1.79 compared to $1.51 in the prior year. Net earnings in the current quarter were reduced by the writedown of assets on a business held for sale as the current fair market valuation is less than the estimated fair value as at December 31, 2003. The current period results were also reduced by the expensing of the fair value of stock options for $2.1 million ($0.04 per share) in accordance with new Canadian accounting standards. The Corporation has retroactively applied the new standards and restated prior year earnings by $1.8 million ($0.03 per share).

Revenue of $665.2 million for the first quarter increased by $77.2 million or 13% over the same period in the prior year. The principal increase was from the Corporation's Canadian operations. Activity levels in Canada in the first quarter of 2003 were strong and has remained strong in the first quarter of 2004. All of the Corporation's business segments in Canada performed at or above the activity levels experienced in the first quarter of the prior year and all business units experienced increased pricing for their services as compared to the prior year. Revenue in Canada from the Contract Drilling operation was up 13% while operating days were up only 1%. Revenue in the Technology Services Canadian operation was up 15%.

The first quarter of 2004 saw an increase in the Corporation's international rig activity of 58%, based on the number of rig operating days. On April 2 the Corporation announced it had executed a definitive agreement to purchase the worldwide land drilling business and assets of GlobalSanteFe for US$316.5 million. The purchase includes 31 land rigs located in the Middle East, North Africa and South America and an extensive fleet of specialized rig transport equipment. The acquisition will expand on the Corporation's growing international rig operation and will bring the total fleet of international rigs to 50. The acquisition of the land drilling assets of GlobalSanteFe will enable the Corporation to continue its growth in the international drilling rig market. The transaction is expected to be completed before the end of May 2004.

SEGMENT REVIEW

Three months ended March 31,	2004	
OPERATING EARNINGS: (1)		
Contract Drilling	$ 148,608	$ 104
Technology Services	29,793	13
Rental and Production	9,741	8
Corporate and Other	(14,946)	(7,
	$ 173,196	$ 118

(1) see explanation on page 6

CONTRACT DRILLING

Three months ended March 31, (Stated in thousand of dollars, except per day/hour amounts)	2004	% OF REVENUE	
Revenue	$ 387,251		$
Expenses:			
Operating	203,445	52.5	
General and administrative	10,038	2.6	
Depreciation and amortization	24,357	6.3	
Foreign exchange	803	0.2	
Operating earnings (1)	$ 148,608	38.4	$

Number of drilling rigs (end of period)	244	
Drilling rig operating days	16,097	
Drilling revenue per operating day	$ 17,903	$
Number of service rigs (end of period)	239	
Service rig operating hours	150,693	
Service revenue per operating hour	$ 534	$

(1) see explanation on page 6

Contract Drilling's revenue increased by 15% in the first quarter compared to the same quarter last year while operating earnings increased by 42%. The increase in operating earnings as a percentage of revenue was the result of an increase in drilling day rates and service rig rates experienced in the latter half of 2003 that carried through into the peak period of 2004.

In Canada, the drilling rig fleet achieved 14,768 operating days for a 72% utilization in the quarter compared to 14,641 operating days and a 72% utilization in the comparable quarter of the prior year. Revenue for contract drilling was up 13% due to an increase in the average daily rate of 12%. During the quarter the Corporation experienced manpower shortages but not to the same extent experienced in the first quarter of 2003. In the first quarter the Corporation added the second Super Single(R) Light drilling rig and retired one conventional rig on April 1, 2004, bringing the current total rig fleet in Canada to 225.

Service rig activity increased by 8% over the prior year to 150,693 hours and 69% utilization. The improved service hours is attributable to well completions due to the strong drilling activity in the fourth quarter of 2003. As a result of high demand the service rig business experienced an 8% increase in the average hourly rate over the prior year comparable quarter. The activity levels for the quarter were impacted somewhat by the extremely cold weather conditions experienced at times during the quarter in Western Canada and the warmer weather experienced later in the quarter which resulted in early road bans in Southern Canada.

During the quarter the Corporation experienced an increase in international drilling activity as the number of drilling days increased over the same quarter in 2003 by 58% to 1,329 operating days. The increase in drilling days was the result of increased activity in Latin America, as Venezuela was negatively impacted by a general strike in the first quarter of 2003, an increase in the number of rigs working on the Corporation's integrated services contract in Mexico from 7 to 10, and the start of a one rig contract in the Middle East. The platform mounted rig mobilized for Asia/Pacific is in the region and is expected to begin operations in the second quarter.

TECHNOLOGY SERVICES

Three months ended March 31, (Stated in thousand of dollars)	2004	% OF REVENUE	200
Revenue	$ 227,214		$ 203,03
Expenses:			
Operating	149,417	65.8	143,43
General and administrative	15,169	6.7	19,96
Depreciation and amortization	20,655	9.1	18,75
Research and engineering	11,263	4.9	8,89
Foreign exchange	917	0.4	(1,114
Operating earnings (1)	$ 29,793	13.1	$ 13,09

Wireline jobs performed	11,058	10,00
Directional wells drilled	959	75
Well testing/CPD (2) man-days	29,406	24,74

(1) see explanation on page 6
(2) Controlled Pressure Drilling (CPD)

In the quarter, revenue for Technology Services was 12% higher than the comparable quarter in 2003. The most significant increase was realized in the Canadian region where revenue increased $16.4 million (a 15% increase over 2003) due to a slight increase in activity and an increase in pricing for our services. Other areas with significant growth in revenue were the United States with a 24% increase due to an increase in activity and Latin America with a 120% increase due to the general strike impacting 2003 results. Revenue for the quarter was contributed from Canada at 56% (2003 - 55%), US 17% (2003 - 15%) and International 27% (2003 - 30%).

Operating earnings of 13% of revenue was a significant improvement from 6% in the comparable quarter of 2003. The improved operating earnings were the result of increased pricing and utilization in Canada, cost reduction initiatives in the US and increased activity in South America where the Corporation was impacted by the general strike in Venezuela during the first quarter of 2003. Depreciation expense increased as a result of increased capital assets offset by lower gains on disposal of assets. Total capital expenditures in the Technology Services segment in the last twelve months have been $143.5 million.

Research and engineering costs have increased over the same quarter in the prior year due to the emphasis on bringing the Rotary Steerable tool to market in various sizes, and the costs associated with upgrading the LWD tools with the latest design changes.

The number of wireline jobs performed is up on the prior year quarter due to increases in Canada, the US and Mexico. Directional wells drilled by the Corporation are up due to the introduction of the new technologies in various sizes.

The improved financial performance in Technology Services outpaced market driven activity as the segment continued to build on the actions taken in 2003 to focus on business efficiencies in its most promising markets.

The Corporation continues with the implementation of an integrated Enterprise Resource Planning information system. The first phase was completed in the Canadian operation in the fourth quarter of 2003 with the next phase scheduled to go live in the third quarter of 2004 in the Corporation's US operations.

RENTAL AND PRODUCTION

Three months ended March 31, (Stated in thousand of dollars)	2004	% OF REVENUE	2003
Revenue	$ 50,700		$ 49,621
Expenses:			
Operating	35,000	69.0	35,164
General and administrative	2,644	5.2	2,654
Depreciation and amortization	3,302	6.5	3,319
Foreign exchange	13	0.1	213
Operating earnings (1)	$ 9,741	19.2	$ 8,271

Equipment rental days (000's)	253	232
Plant maintenance man-days (000's)	59	60

(1) see explanation on page 6

The Rental and Production segment experienced an increase in revenue of 2% over the prior year to $50.7 million. The segment's rental division realized higher revenues due to increased rental days driven by the activity levels in Canada. Industrial plant maintenance revenue was in line with the prior year.

CORPORATE AND OTHER

CORPORATE AND OTHER EXPENSES

Corporate and other expenses of $14.9 million for the first quarter have increased by $7.9 million over the same period last year. Expenses in 2003 were reduced by a $3.5 million benefit recorded as a result of the settlement of a dispute arising from a previous divestment. Stock option and earnings related compensation expense was also higher in 2004 than in 2003.

OTHER ITEMS

Interest expense for the three months ended March 31, 2004 was $8.2 million, a decrease of $1.1 million or 12% from the same period last year. The decrease is the result of a lower average net debt balance for the first quarter of 2004. The average net debt outstanding decreased from $663.6 million for the first quarter in 2003 to $508.7 million in 2004. Net debt is defined as long-term debt, including current portion, plus bank indebtedness less cash. The decrease in average net debt is principally due to cash receipts from the exercise of stock options and funds provided by operations in excess of capital spending.

The effective tax rate on earnings before income taxes, non-controlling interest and discontinued operations was 34% in comparison to 32% in the prior year.

During April the Corporation issued 143,625 shares on the exercise of stock options.

LIQUIDITY AND CAPITAL RESOURCES

Funds generated from continuing operations for the current quarter were $180.5 million up 36% from the prior year of $132.4 million. The Corporation spent $49.6 million on capital additions, net of proceeds of disposal, in the three month period ended March 31, 2004. The principal capital additions related to the Corporation's expansion in Technology Services as the Corporation continues its new technology roll-out. During the quarter the Corporation received $25.7 million from the sale of Fleet Cementers and $30.5 million on the exercise of stock options.

Working capital increased from $248.3 million at December 31, 2003 to $421.8 million at March 31, 2004 and the working capital ratio increased from 1.6 to 2.0.

The Corporation's total borrowing at March 31, 2004 amounted to $483.7

million, a reduction of $80.8 million since December 31, 2003, of which 72% was fixed and 28% was floating. The Corporation's long-term debt to long-term debt plus equity ratio improved from 0.19 as at December 31, 2003 to 0.17 as at March 31, 2004. The Corporation's unused operating credit line amounts to $337.9 million at March 31, 2004. Precision also has bridge financing in place to complete its recently announced acquisition and is exploring long-term financing alternatives.

(1) NON-GAAP MEASURE

OPERATING EARNINGS IS NOT A RECOGNIZED MEASURE UNDER CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). MANAGEMENT BELIEVES THAT IN ADDITION TO NET EARNINGS, OPERATING EARNINGS IS A USEFUL SUPPLEMENTAL MEASURE AS IT PROVIDES AN INDICATION OF THE RESULTS GENERATED BY THE CORPORATION'S PRINCIPAL BUSINESS ACTIVITIES PRIOR TO CONSIDERATION OF HOW THOSE ACTIVITIES ARE FINANCED OR HOW THE RESULTS ARE TAXED IN VARIOUS JURISDICTIONS. INVESTORS SHOULD BE CAUTIONED, HOWEVER, THAT OPERATING EARNINGS SHOULD NOT BE CONSTRUED AS AN ALTERNATIVE TO NET EARNINGS DETERMINED IN ACCORDANCE WITH GAAP AS AN INDICATOR OF PRECISION'S PERFORMANCE. PRECISION'S METHOD OF CALCULATING OPERATING EARNINGS MAY DIFFER FROM OTHER COMPANIES AND, ACCORDINGLY, OPERATING EARNINGS MAY NOT BE COMPARABLE TO MEASURES USED BY OTHER COMPANIES.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS INTERIM REPORT, INCLUDING STATEMENTS WHICH MAY CONTAIN WORDS SUCH AS "COULD", "PLANS", "SHOULD", "ANTICIPATES", "EXPECT", "BELIEVE", "WILL" AND SIMILAR EXPRESSIONS AND STATEMENTS RELATING TO MATTERS THAT ARE NOT HISTORICAL FACTS ARE FORWARD-LOOKING STATEMENTS INCLUDING, BUT NOT LIMITED TO, STATEMENTS AS TO: FUTURE CAPITAL EXPENDITURES, INCLUDING THE AMOUNT AND NATURE THEREOF; DRILLING ACTIVITY LEVELS; OIL AND GAS PRICES AND DEMAND; EXPANSION AND OTHER DEVELOPMENT TRENDS OF THE OIL AND GAS INDUSTRY; IMPROVEMENT IN DAY RATES; BUSINESS STRATEGY; EXPANSION AND GROWTH OF THE CORPORATION'S BUSINESS AND OPERATIONS, INCLUDING THE CORPORATION'S MARKET SHARE AND POSITION IN THE DOMESTIC AND INTERNATIONAL DRILLING MARKETS; AND OTHER SUCH MATTERS.

THESE STATEMENTS ARE BASED ON CERTAIN ASSUMPTIONS AND ANALYSES MADE BY THE CORPORATION IN LIGHT OF ITS EXPERIENCE AND ITS PERCEPTION OF HISTORICAL TRENDS, CURRENT CONDITIONS AND EXPECTED FUTURE DEVELOPMENTS AS WELL AS OTHER FACTORS IT BELIEVES ARE APPROPRIATE IN THE CIRCUMSTANCES. HOWEVER, WHETHER ACTUAL RESULTS, PERFORMANCE

OR ACHIEVEMENTS WILL CONFORM WITH THE CORPORATION'S EXPECTATIONS AND PREDICTIONS IS SUBJECT TO A NUMBER OF KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE CORPORATION'S EXPECTATIONS, INCLUDING: FLUCTUATIONS IN THE PRICE AND DEMAND OF OIL AND GAS; FLUCTUATIONS IN THE LEVEL OF OIL AND GAS EXPLORATION AND DEVELOPMENT ACTIVITIES; FLUCTUATIONS IN THE DEMAND FOR WELL SERVICING, CONTRACT DRILLING AND ANCILLARY OILFIELD SERVICES; THE EXISTENCE OF COMPETITORS, TECHNOLOGICAL CHANGES AND DEVELOPMENTS IN THE OIL AND GAS INDUSTRY; THE ABILITY OF OIL AND GAS COMPANIES TO RAISE CAPITAL; THE EFFECTS OF SEVERE WEATHER CONDITIONS ON OPERATIONS AND FACILITIES; THE EXISTENCE OF OPERATING RISKS INHERENT IN WELL SERVICING, CONTRACT DRILLING AND ANCILLARY OILFIELD SERVICES; POLITICAL CIRCUMSTANCES IMPEDING THE PROGRESS OF WORK IN ANY OF THE COUNTRIES IN WHICH THE CORPORATION DOES BUSINESS; IDENTIFYING AND ACQUIRING SUITABLE ACQUISITION TARGETS ON REASONABLE TERMS; GENERAL ECONOMIC, MARKET OR BUSINESS CONDITIONS, INCLUDING STOCK MARKET VOLATILITY; CHANGES IN LAWS OR REGULATIONS, INCLUDING TAXATION, ENVIRONMENTAL AND CURRENCY REGULATIONS; THE LACK OF AVAILABILITY OF QUALIFIED PERSONNEL OR

MANAGEMENT; AND OTHER UNFORESEEN CONDITIONS WHICH COULD IMPACT ON THE USE OF SERVICES SUPPLIED BY THE CORPORATION.

CONSEQUENTLY, ALL OF THE FORWARD-LOOKING STATEMENTS MADE IN THIS REPORT ARE QUALIFIED BY THESE CAUTIONARY STATEMENTS AND THERE CAN BE NO ASSURANCE THAT THE ACTUAL RESULTS OR DEVELOPMENTS ANTICIPATED BY THE CORPORATION WILL BE REALIZED OR, EVEN IF SUBSTANTIALLY REALIZED, THAT THEY WILL HAVE THE EXPECTED CONSEQUENCES TO OR EFFECTS ON THE CORPORATION OR ITS BUSINESS OR OPERATIONS. THE CORPORATION ASSUMES NO OBLIGATION TO UPDATE PUBLICLY ANY SUCH FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

CONSOLIDATED BALANCE SHEETS

(Stated in thousands of dollars)		MARCH 31, 2004
(unaudited) (restated - Note 4)		
ASSETS		
Current assets:		
Cash	$	20,209
Accounts receivable		699,391
Inventory		95,676
Assets of discontinued operations (NOTE 3)		12,312
		827,588
Property, plant and equipment, net of accumulated depreciation		1,587,732
Intangibles, net of accumulated amortization		63,778
Goodwill		528,547
Other assets		8,612
Assets of discontinued operations (NOTE 3)		4,086
	$	3,020,343
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 (NOTE 3)		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
Subsequent event (NOTE 6)		
	$	3,020,343
Common shares outstanding (000's)		55,753
Common share purchase options outstanding (000's)		2,547

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (UNAUDITED)

Three Months Ended March 31, (Stated in thousands of dollars, except per share amounts)		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 (NOTE 3)		(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

CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

Three Months Ended March 31, (Stated in thousands of dollars)		2004
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
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 (NOTE 3)		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
Cash, end of period	$	20,209

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Tabular amounts stated in thousands of dollars)

1. BASIS OF PRESENTATION

These interim financial statements were prepared using accounting policies and methods of their application consistent with those used in the preparation of the Corporation's audited financial statements for the year ended December 31, 2003, except as noted below. These interim financial statements conform in all respects to the requirements of generally accepted accounting principles in Canada for annual financial statements with the exception of certain note disclosures regarding balance sheet items and transactions occurring prior to the current reporting period. As a result, these interim financial statements should be read in conjunction with the Corporation's audited financial statements for the year ended December 31, 2003 contained in the Corporation's 2003 annual report.

2. SEASONALITY OF OPERATIONS

The majority of the Corporation's operations are carried on in Canada. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Corporation's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally our slowest time.

3. DISPOSAL OF DISCONTINUED OPERATIONS

On February 12, 2004, the Corporation sold substantially all of the assets of Fleet Cementers, Inc. for proceeds of $25.7 million. The Corporation has entered into an agreement for the sale of the assets of the Polar Completions division. The closing of the transaction is anticipated to take place on or about May 7, 2004 and the carrying value of the assets has been written down to the aggregate purchase price. These assets are being disposed of as they are not a core component to the Corporation's energy services globalization strategy.

Effective January 1, 2003, the Corporation sold Energy Industries Inc., a wholly-owned subsidiary included in the Rental and Production segment.

Results of the operations of these businesses have been classified as results of discontinued operations. The following table provides additional information with respect to amounts included in the results of discontinued operations.

	2004	2003
Revenue		
Fleet Cementers and Polar Completions	$ 8,192	$ 11,703
Other	-	560
	$ 8,192	$ 12,263
Gain on disposal of Energy Industries	$ -	$ 13,071
Loss on disposal of Fleet Cementers' assets	(943)	-
	(943)	13,071
Results of operations before income taxes		
Fleet Cementers and Polar Completions	(850)	(4,796)
Other	-	49
Writedown of assets held for sale	(6,117)	-
	(6,967)	(4,747)

Income tax expense (recovery)	(991)	(659)
	(5,976)	(4,088)
Discontinued operations	$ (6,919)	$ 8,983

The following table provides additional information with respect to amounts included in the balance sheet as assets/liabilities held for sale:

	2004
Accounts receivable	$ 5,449
Inventory	6,863
	$ 12,312
Capital assets	$ 3,160
Other	926
	$ 4,086
Accounts payable	$ 3,752
Other	1,738
	$ 5,490

The following table provides additional information with respect to amounts included in the cash flow statement of funds provided by (used in) assets classified as discontinued operations:

	2004	2003
Net earnings of discontinued operations	$ (6,919)	$ 8,983
Items not affecting cash:		
Loss (gain) on disposal of discontinued operations	943	(13,071)
Depreciation and amortization	782	1,888
Stock-based compensation	-	96
Writedown of assets of discontinued operations	3,293	-
Future income taxes	(1,997)	(126)
Funds provided (used in) by discontinued operations	$ (3,898)	$ (2,230)

4. STOCK-BASED COMPENSATION

Effective January 1, 2004, the Corporation has adopted the revised Canadian accounting standards with respect to accounting for stock-based compensation. Under the new standard, the fair value of common share purchase options is calculated at the date of grant and that value is recorded as compensation expense over the vesting period of those grants. The Corporation has retroactively applied this standard, with restatement of prior years, to all common share purchase options granted since January 1, 2002. This has resulted in a charge to net earnings of $2.1 million at March 31, 2004 ($1.8 million at March 31, 2003) and a reduction to opening retained earnings of $14.5 million at January 1, 2004 ($6.3 million at January 1, 2003).

Included in share capital at March 31, 2004 is $766,000 (December 31, 2003 - $215,000) relating to stock-based compensation expense on options that were exercised.

5. SEGMENT INFORMATION

Three months ended March 31, 2004	CONTRACT DRILLING	TECHNOLOGY SERVICES	RENTAL AND PRODUCTION	
Revenue	$ 387,251	$ 227,214	$ 50,700	$
Operating earnings (loss)	148,608	29,793	9,741	
Research and engineering	-	11,263	-	
Depreciation and amortization	24,357	20,655	3,302	
Total assets	1,502,344	1,283,193	178,946	
Goodwill	257,531	242,314	28,702	
Capital expenditures*	17,201	25,723	6,465	

Three months ended March 31, 2003	Contract Drilling	Technology Services	Rental and Production	
Revenue	$ 335,312	$ 203,037	$ 49,621	$
Operating earnings (loss)	104,525	13,098	8,271	
Research and engineering	-	8,899	-	
Depreciation and amortization	25,613	18,753	3,319	
Total assets	1,421,031	1,238,468	179,365	
Goodwill	257,531	241,340	28,572	
Capital expenditures*	8,298	60,028	3,849	

* excludes business acquisitions

6. SUBSEQUENT EVENT

On April 2, 2004, the Corporation entered into a definitive agreement to buy all of the worldwide land drilling business and assets from GlobalSantaFe Corporation for US $316.5 million. The transaction is anticipated to be completed during the second quarter of 2004. The acquisition will be accounted for by the purchase method with the results of the acquired operations to be included in the financial statements from the effective date of acquisition. The Corporation has bridge financing in place to complete the transaction and is exploring long-term financing alternatives.

SHAREHOLDER INFORMATION

HEAD OFFICE
Precision Drilling Corporation

DIRECTORS

W.C. (MICKEY) DUNN (2) (3)
Edmonton, Alberta

ROBERT J.S. GIBSON (1) (3)
Calgary, Alberta

MURRAY K. MULLEN (2)
Calgary, Alberta

PATRICK M. MURRAY (1)
Dallas, Texas

FREDERICK W. PHEASEY (3)
Edmonton, Alberta

HANK B. SWARTOUT
Calgary, Alberta

H. GARTH WIGGINS (1)
Calgary, Alberta

(1) Audit Committee member
(2) Compensation Committee member
(3) Corporate Governance and nominating Committee member

4200, 150-6th Avenue S. W.
Calgary, Alberta, Canada T2P 3Y7
Telephone: 403-716-4500
Facsimile: 403-264-0251
Website: www.precisiondrilling.com

BANKER
Royal Bank of Canada
Calgary, Alberta

LEGAL COUNSEL
Borden Ladner Gervais LLP
Calgary, Alberta

AUDITORS
KPMG LLP
Calgary, Alberta

OFFICERS

HANK B. SWARTOUT
Chairman of the Board, President
and Chief Executive Officer

DALE E. TREMBLAY
Senior Vice President Finance
and Chief Financial Officer

JOHN R. KING
Senior Vice President
Technology Services

M.J. (MICK) MCNULTY
Senior Vice President
Operations Finance

R.T. (BOB) GERMAN
Vice President and
Chief Accounting Officer

JAN M. CAMPBELL
Corporate Secretary

STOCK EXCHANGE LISTINGS

Common shares of Precision Drilling Corporation are listed on The Toronto

ACCOUNT QUESTIONS

Our Transfer Agent can help you with a variety of shareholder

Stock Exchange under the trading symbols PD and PD.U, and on the New York Stock Exchange under the trading symbol PDS.

TORONTO (TSX)
January 1, 2004 to March 31, 2004
High: $67.50
Low: $55.89
Volume traded: 17.2 million

NEW YORK (NYSE)
January 1, 2004 to March 31, 2004
High: US $50.50
Low: US $43.30
Volume traded: 11.9 million

TRANSFER AGENT AND REGISTRAR
Computershare Trust Company of Canada
Calgary, Alberta

TRANSFER POINT
Computershare Trust Company, Inc.
New York, New York

related services, including:

CHANGE OF ADDRESS

Lost share certificates
Transfer of stock to another person
Estate settlement

YOU CAN CALL OUR TRANSFER AGENT TOLL FREE AT:
1-888-267-6555

YOU CAN WRITE TO THEM AT:
Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1

OR YOU CAN EMAIL THEM AT:
caregistryinfo@computershare.com

Shareholders of record who receive more than one copy of this report can contact our Transfer Agent and arrange to have their accounts consolidated. Shareholders who own Precision shares through a brokerage firm can contact their broker to request consolidation of their accounts.

ONLINE INFORMATION

To receive our news releases by e-mail, or to view this interim report, please visit our web site at www.precisiondrilling.com and refer to the Investor Relations section.

ESTIMATED RELEASE DATES
FOR FINANCIAL RESULTS
2004 Second Quarter - July 29, 2004
2004 Third Quarter - October 28, 2004