

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

PRECISION DRILLING CORP  
Form 6-K  
November 25, 2002

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For November 22, 2002

PRECISION DRILLING CORPORATION  
4200, 150 - 6TH AVENUE S.W.  
CALGARY, ALBERTA  
CANADA T2P 3Y7

(Indicated by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F)

Form 20F                            Form 40-F     

(Indicated 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                     

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 Campbell  
-----  
Jan Campbell  
Corporate Secretary

Date: November 25, 2002

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

PRECISION DRILLING

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIODS ENDED SEPTEMBER 30, 2002

FINANCIAL HIGHLIGHTS

(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

FINANCIAL RESULTS	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30, 2001
	2002	2001	% CHANGE	
Revenue	\$ 382,830	\$ 474,016	(19.2)	\$ 1,294,890
Operating earnings (1)	23,626	90,287	(73.8)	144,300
Earnings before goodwill amortization	12,246	49,588	(75.3)	82,400
Net earnings	12,246	41,648	(70.6)	82,400
Diluted earnings per share:				
Before goodwill amortization	0.22	0.92	(76.1)	1.51
After goodwill amortization	0.22	0.77	(71.4)	1.51
Cash flow (2)	25,490	109,978	(76.8)	154,720
Cash flow per share - diluted (2)	0.46	2.05	(77.6)	2.80

Financial Position	September 30, 2002	December 31, 2001
Working capital	\$ 194,054	\$ 215,919
Long-term debt (3)	\$ 440,466	\$ 496,200
Long-term debt to long-term debt plus equity (3)	0.22	0.26

(1) See footnote on page 2

(2) Cash flow is defined as "Funds provided by operations" in the financial statements

(3) Excludes current portion of long-term debt

Earnings per share before goodwill amortization of \$0.22 was down significantly from the \$0.92 registered in the third quarter of 2001. Similarly, earnings per share before goodwill amortization, for the nine months ended September 30, declined to \$1.51 in 2002 compared to \$3.25 in 2001.

Activity levels in Canada and the US have been negatively impacted by continued skepticism as to the sustainability of relatively high commodity prices, particularly natural gas. The strong cash flow being generated by our customers is being directed to strengthening balance sheets in the face of these uncertain times. In addition, wet weather conditions in many Canadian drilling regions in August and September hampered the movement of oilfield service equipment to wellsite locations.

We continue to invest in our international businesses to increase our geographic presence to enable us to rapidly deploy the new tools being introduced by our

## Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Technology Services Group. Certain international operations, such as South America, are being negatively impacted by regional political and economic conditions.

PRECISION DRILLING 2002 INTERIM REPORT 1

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

The 2001 comparative numbers have been restated to give effect to the retroactive application of the new Canadian accounting standard for foreign exchange gains and losses on translation of US dollar denominated long-term debt. This new standard, which is consistent with US practice, resulted in a decrease in earnings per share of \$0.03 for each of the three and nine month periods ended September 30, 2001.

The continued shift of the Corporation's revenue stream from domestic to international is illustrated in the following graphs.

[GRAPHIC OMITTED - PIE CHART]

-----  
REVENUE BY GEOGRAPHIC DISTRIBUTION

2002: NINE MONTHS ENDED SEPTEMBER 30	2001: NINE MONTHS ENDED SEPTEMBER 30
TOTAL: \$1,294.9 MILLION	TOTAL: \$1,497.6 MILLION
REST OF WORLD      33%	REST OF WORLD      25%
CANADA              67%	CANADA              75%

-----

The following graphs illustrate the continued transition of the Corporation in providing diversified services to our customers.

[GRAPHIC OMITTED - PIE CHART]

-----  
REVENUE BY SEGMENT

2002: NINE MONTHS ENDED SEPTEMBER 30	2001: NINE MONTHS ENDED SEPTEMBER 30
TOTAL: \$1,294.9 MILLION	TOTAL: \$1,497.6 MILLION
TECHNOLOGY SERVICES      38%	TECHNOLOGY SERVICES      34%
RENTAL & PRODUCTION      17%	RENTAL & PRODUCTION      14%
CONTRACT DRILLING        45%	CONTRACT DRILLING        52%

-----

SEGMENT REVIEW

(Stated in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating earnings: (1)				
Contract Drilling Group	\$ 26,842	\$ 75,657	\$ 143,851	\$ 227,457
Technology Services Group	(7,840)	12,597	(15,782)	59,501
Rental and Production Group	10,322	8,610	37,149	42,404
Corporate and Other	(5,698)	(6,577)	(20,914)	(21,513)
	\$ 23,626	\$ 90,287	\$ 144,304	\$ 307,849

## Edgar Filing: PRECISION DRILLING CORP - Form 6-K

- (1) 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.

### 2 PRECISION DRILLING 2002 INTERIM REPORT

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

#### CONTRACT DRILLING GROUP

(Stated in thousands of dollars, except per day/hour amounts)

THREE MONTHS ENDED SEPTEMBER 30	2002	% OF REVENUE	2001	% OF REVENUE
Revenue	\$ 155,369		\$ 242,385	
Expenses:				
Operating	108,429	69.8	142,787	58.9
General and administrative	6,348	4.1	7,641	3.1
Depreciation and amortization	14,552	9.3	16,402	6.8
Foreign exchange	(802)	(0.5)	(102)	--
Operating earnings	\$ 26,842	17.3	\$ 75,657	31.2
				% CHANGE
Number of drilling rigs (end of period)	241		244	(1.2)
Drilling operating days	7,845		10,974	(28.5)
Drilling revenue per operating day	\$ 14,185		\$ 16,335	(13.2)
Number of service rigs (end of period)	242		257	(5.8)
Service rig operating hours	92,988		127,642	(27.1)
Service revenue per operating hour	\$ 418		\$ 405	3.2

NINE MONTHS ENDED SEPTEMBER 30	2002	% OF REVENUE	2001	% OF REVENUE
Revenue	\$583,955		\$ 783,277	
Expenses:				
Operating	370,008	63.4	472,365	60.3
General and administrative	23,367	4.0	25,188	3.2
Depreciation and amortization	46,829	8.0	59,305	7.6
Foreign exchange	(100)	-	(1,038)	(0.1)
Operating earnings	\$143,851	24.6	\$ 227,457	29.0
				% CHANGE

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Number of drilling rigs (end of period)	241	244	(1.2)
Drilling operating days	26,208	37,190	(29.5)
Drilling revenue per operating day	\$ 16,067	\$ 15,728	2.2
Number of service rigs (end of period)	242	257	(5.8)
Service rig operating hours	297,222	392,543	(24.3)
Service revenue per operating hour	\$ 449	\$ 421	6.7

The Contract Drilling Group revenue declined year over year by 36% and 25%, respectively, for the three and nine month periods ended September 30, 2002.

Consistent with overall industry activity, the utilization rate for our Canadian drilling rig fleet declined to 34% in the third quarter of 2002 compared to 47% in the same period in 2001. Reduced demand for drilling rigs has resulted in downward pressure on pricing. Average revenue per drilling day has declined by 14% in the third quarter of 2002 compared to the same period in 2001. Third quarter drilling activity in Canada was focused on shallow gas and heavy oil wells.

International drilling operations saw activity decline in the third quarter of 2002 versus 2001 primarily as a result of a reduction in the number of rigs working in Venezuela, where political and economic instability has reduced oilfield activity. This was partially offset by additional rigs working in Mexico.

The service rig operation was impacted by many of the same factors as the Canadian drilling operation. Activity levels, as measured by operating hours, declined by 27% year over year in the third quarter, however, average hourly rig rates increased by 3% over the same period.

PRECISION DRILLING 2002 INTERIM REPORT 3

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

TECHNOLOGY SERVICES GROUP  
(Stated in thousands of dollars)

THREE MONTHS ENDED SEPTEMBER 30	2002	% OF REVENUE	2001	% OF REVENUE
Revenue	\$ 161,569		\$ 170,307	
Expenses:				
Operating	122,182	75.6	115,195	67.6
General and administrative	23,847	14.8	22,600	13.3
Depreciation and amortization	13,028	8.1	12,295	7.2
Research and engineering	8,990	5.6	7,187	4.2
Foreign exchange	1,362	0.8	433	0.3
Operating earnings	\$ (7,840)	(4.9)	\$ 12,597	7.4
				% CHANGE
Wireline jobs performed	7,818		9,592	(18.5)
Directional wells drilled	369		317	16.4

## Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Well testing/CPD (1) man-days (Canada only)	10,415		17,824	(41.6)
=====				
-----				
NINE MONTHS ENDED SEPTEMBER 30	2002	% OF REVENUE	2001	% OF REVENUE
-----				
Revenue	\$ 494,756		\$ 504,719	
Expenses:				
Operating	370,930	75.0	323,189	64.0
General and administrative	67,054	13.6	61,494	12.2
Depreciation and amortization	42,704	8.6	36,548	7.2
Research and engineering	25,278	5.1	22,434	4.5
Foreign exchange	4,572	0.9	1,553	0.3
-----				
Operating earnings	\$ (15,782)	(3.2)	\$ 59,501	11.8
=====				
				% CHANGE
-----				
Wireline jobs performed	23,391		29,829	(21.6)
Directional wells drilled	1,156		914	26.5
Well testing/CPD (1) man-days (Canada only)	36,964		46,133	(19.9)
=====				

(1) CONTROLLED PRESSURE DRILLING (CPD)

The Technology Services Group experienced a marginal decline in revenue from \$170.3 million in the third quarter of 2001 to \$161.6 million in 2002. Revenue declines of 25% and 32% in Canada and the US, respectively, were offset by increases in all of the group's other operating regions, namely Latin America, Europe/Africa, the Middle East and Asia/Pacific.

Operating earnings declined by \$20.4 million in the third quarter of 2002 compared to the same period of 2001. Declines in Canadian and US revenue and operating earnings are consistent with the slowdown in North American oilfield activity whilst increased international revenue resulted from continued efforts to globalize this group's operations. Compared to the second quarter of 2002 revenue increased \$14.6 million and operating earnings improved by \$8.1 million. These improvements demonstrate the operating leverage associated with this group's multiple product lines. Research and engineering expenditures increased by \$1.8 million in the third quarter, year over year, as work to develop and roll out new suites of wireline and drilling tools is being accelerated. Growth of our international infrastructures has also resulted in increased costs year over year.

#### 4 PRECISION DRILLING 2002 INTERIM REPORT

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

RENTAL AND PRODUCTION GROUP  
(Stated in thousands of dollars)

THREE MONTHS ENDED SEPTEMBER 30	2002	% OF REVENUE	2001	% OF REVENUE
-----				

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Revenue	\$ 64,633		\$ 61,003	
Expenses:				
Operating	47,654	73.7	45,727	75.0
General and administrative	3,113	4.8	3,212	5.3
Depreciation and amortization	3,744	5.8	3,799	6.2
Foreign exchange	(200)	(0.3)	(345)	(0.6)

Operating earnings	\$ 10,322	16.0	\$ 8,610	14.1
--------------------	-----------	------	----------	------

=====

% CHANGE

Equipment rental days (000's)	151		195	(22.6)
Number of compressor packages sold	14		15	(6.7)
Plant maintenance man-days (000's)	64		56	14.3

NINE MONTHS ENDED SEPTEMBER 30	2002	% OF REVENUE	2001	% OF REVENUE
--------------------------------	------	--------------	------	--------------

Revenue	\$ 214,928		\$ 207,804	
Expenses:				
Operating	156,972	73.0	145,600	70.1
General and administrative	9,530	4.4	9,006	4.3
Depreciation and amortization	11,336	5.3	11,052	5.3
Foreign exchange	(59)	--	(258)	(0.1)

Operating earnings	\$ 37,149	17.3	\$ 42,404	20.4
--------------------	-----------	------	-----------	------

=====

% CHANGE

Equipment rental days (000's)	450		683	(34.1)
Number of compressor packages sold	53		43	23.3
Plant maintenance man-days (000's)	195		169	15.4

The Rental and Production Group saw revenue remain relatively consistent with the prior year at \$64.6 million in the third quarter of 2002 compared to \$61.0 million in 2001, however, the business mix within the segment has changed significantly. The industrial plant maintenance operation accounted for 63% of segment revenue in the three months ended September 30, 2002 compared to 54% in the same period of 2001. This increase is primarily the result of commissioning work performed at a new heavy oil upgrading plant and continued high levels of maintenance work at oilsands projects in Northern Alberta.

The gas compression packaging business has maintained revenue and margins in the face of stiff competition. The decline in the oilfield rental business was consistent with the overall slow down of oilfield activity in Canada.

During the quarter, the industrial plant maintenance business acquired a vacuum truck operation in Northern Alberta. The utilization of these assets will be enhanced by using them for plant maintenance work in addition to their continued operation in the oil and gas drilling and well servicing market.

#### CORPORATE AND OTHER EXPENSES

Corporate and other expenses of \$5.7 million for the third quarter was down \$0.9 million from the same period last year. For the nine month period ended September 30, 2002 corporate and other expenses have dropped from \$21.5 million

## Edgar Filing: PRECISION DRILLING CORP - Form 6-K

in 2001 to \$20.9 million for 2002. General and administrative costs included in corporate and other expenses are comprised primarily of head office functions.

### OTHER ITEMS

Interest expense for the three months ended September 30, 2002 was \$8.7 million, a drop of \$1.6 million or 15% from the same period last year. The decline was a result of the drop in the average net debt outstanding from \$621.7 million for the third quarter in 2001 to \$530.6 million in 2002. Interest rates were largely unchanged at 6.6%. Net debt is defined as long-term debt, including current portion, plus bank indebtedness less cash.

PRECISION DRILLING 2002 INTERIM REPORT 5

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

The effective tax rate on earnings before income taxes, non-controlling interest and goodwill amortization for the third quarter was 21% down from 38% for the same quarter last year. The effective tax rate was impacted by losses taxed at higher rates in North America than earnings generated in lower tax jurisdictions.

Effective January 1, 2002 the Corporation adopted the new standard for accounting for goodwill and other intangible assets. Under the standard, goodwill is no longer amortized but tested for impairment at least annually. Accordingly, no goodwill amortization has been recorded in 2002. The Corporation has completed its initial assessment of the potential impairment of goodwill effective January 1, 2002 and has concluded that there is no indication of impairment. The annual test will be completed in the fourth quarter.

During the month of October, the Corporation issued 26,675 shares on exercise of stock options.

### LIQUIDITY AND CAPITAL RESOURCES

The Corporation's balance sheet has continued to strengthen during 2002. The ratio of long-term debt to long-term debt plus equity declined from 0.26 at December 31, 2001 to 0.22 at September 30, 2002 and working capital has decreased from \$215.9 million to \$194.1 million over the same period. In addition, pretax income interest coverage amounted to 5.6 times and annualized funds from operations as a percentage of total debt was 36%. Total debt is defined as long-term debt including current portion plus bank indebtedness. These statistics are in line with the Corporation's objective of maintaining a BBB+ credit rating.

The Corporation had unused lines of credit of \$225.7 million at the end of the third quarter and has made net repayments of long-term debt of \$57.8 million during the first nine months of 2002. Cash flow from operations year to date in 2002 has exceeded investment activities by \$10.6 million while proceeds from the exercise of share purchase options and increases in short-term bank indebtedness added \$41.3 million to cash resources.

The Corporation's total debt at September 30, 2002 amounted to \$574.6 million of which 62% was at fixed interest rates and 38% was at floating rates. Precision remains well within the financial covenants associated with its credit facilities.

### OUTLOOK

## Edgar Filing: PRECISION DRILLING CORP - Form 6-K

All indications point to traditionally strong first quarter 2003 activity levels in Canada, however fourth quarter 2002 activity levels remain stagnant due to uncooperative weather and uncertainty with respect to near term commodity pricing. Precision continues to believe that the fundamentals of natural gas supply and demand in North America should generate a solid long-term business environment for our operations. We continue to maintain a positive outlook for international markets and our expansion efforts therein.

### DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS INTERIM REPORT, INCLUDING STATEMENTS WHICH MAY CONTAIN WORDS SUCH AS "COULD", "PLAN", "SHOULD", "ANTICIPATE", "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; OIL AND GAS PRICES AND SUPPLY AND DEMAND; EXPANSION AND OTHER DEVELOPMENT TRENDS OF THE OIL AND GAS INDUSTRY; 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 OILFIELD SERVICES 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 THE 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 THE DEMAND FOR, OR ABILITY TO PROVIDE, SERVICES OFFERED 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.

6 PRECISION DRILLING 2002 INTERIM REPORT

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

CONSOLIDATED BALANCE SHEETS  
(Stated in thousands of dollars)

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

	September 30, 2002	December 31, 2001
	(unaudited)	(restated - Note 4)
<b>ASSETS</b>		
Current assets:		
Cash	\$ 24,116	\$ 13,231
Accounts receivable	422,242	474,528
Inventory	135,092	111,393
	581,450	599,152
Property, plant and equipment, net of accumulated depreciation	1,462,636	1,418,609
Intangibles, net of accumulated amortization	71,799	74,004
Goodwill	545,377	545,377
Other assets	12,340	14,216
	\$2,673,602	\$2,651,358
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Bank indebtedness	\$ 104,875	\$ 85,384
Accounts payable and accrued liabilities	243,513	253,342
Income taxes payable	9,780	12,764
Current portion of long-term debt	29,228	31,743
	387,396	383,233
Long-term debt	440,466	496,200
Future income taxes	323,582	355,078
Non-controlling interest	1,926	868
Shareholders' equity:		
Share capital	909,011	887,160
Retained earnings	611,221	528,819
	1,520,232	1,415,979
	\$2,673,602	\$2,651,358
Common shares outstanding (000's)	53,944	53,176
Common share purchase options outstanding (000's)	4,171	4,406

See accompanying notes to consolidated financial statements

PRECISION DRILLING 2002 INTERIM REPORT 7

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (unaudited) (Stated in thousands of dollars, except per share amounts)

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30
	2002	2001 (restated - Note 4)	2002
Revenue	\$ 382,830	\$ 474,016	\$ 1,294,898
Expenses:			
Operating	278,265	304,216	897,910
General and administrative	39,161	38,857	118,894
Depreciation and amortization	32,428	33,483	104,099
Research and engineering	8,990	7,187	25,278
Foreign exchange	360	(14)	4,413
	359,204	383,729	1,150,594
Operating earnings	23,626	90,287	144,304
Interest	8,722	10,297	26,176
Dividend income	--	--	(39)
Gain on disposal of investments	(1,000)	--	(1,000)
Earnings before income taxes, non-controlling interest and goodwill amortization	15,904	79,990	119,167
Income taxes:			
Current	24,964	7,460	68,081
Future	(21,625)	22,942	(32,374)
	3,339	30,402	35,707
Earnings before non-controlling interest and goodwill amortization	12,565	49,588	83,460
Non-controlling interest	319	--	1,058
Earnings before goodwill amortization	12,246	49,588	82,402
Goodwill amortization, net of tax (Note 3)	--	7,940	--
Net earnings	12,246	41,648	82,402
Retained earnings, beginning of period (Note 4)	598,975	453,467	528,819
Retained earnings, end of period	\$ 611,221	\$ 495,115	\$ 611,221
Earnings per share before goodwill amortization:			
Basic	\$ 0.23	\$ 0.93	\$ 1.54
Diluted	\$ 0.22	\$ 0.92	\$ 1.51
Earnings per share:			
Basic	\$ 0.23	\$ 0.78	\$ 1.54
Diluted	\$ 0.22	\$ 0.77	\$ 1.51
Common shares outstanding (000's)	53,944	53,107	53,944
Weighted average shares outstanding (000's)	53,923	53,091	53,599
Diluted shares outstanding (000's)	54,871	53,772	54,717

See accompanying notes to consolidated financial statements

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

CONSOLIDATED STATEMENTS OF CASH FLOW (unaudited) (Stated in thousands of dollars, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2002	2001 (restated - Note 4)	2002	2001
Cash provided by (used in):				
Operations:				
Net earnings	\$ 12,246	\$ 41,648	\$ 82,402	\$
Items not affecting cash:				
Depreciation and amortization	32,428	33,483	104,099	
Goodwill amortization	--	7,940	--	
Gain on disposal of investments	(1,000)	--	(1,000)	
Future income taxes	(21,625)	22,942	(32,374)	
Non-controlling interest	319	--	1,058	
Amortization of deferred financing costs	323	326	971	
Unrealized foreign exchange loss (gain) on long-term debt	2,799	3,639	(436)	
Funds provided by operations	25,490	109,978	154,720	
Changes in non-cash working capital balances	(11,465)	(40,015)	16,785	
	14,025	69,963	171,505	
Investments:				
Business acquisitions, net of cash acquired (Note 3)	(3,050)	(2,883)	(3,050)	
Purchase of property, plant and equipment	(59,971)	(74,072)	(166,363)	
Purchase of intangibles	(63)	(5,762)	(2,149)	
Proceeds on sale of property, plant and equipment	8,386	6,068	25,688	
Proceeds on disposal of investments	1,872	--	1,872	
Investments	--	(745)	(147)	
	(52,826)	(77,394)	(144,149)	
Financing:				
Increase in long-term debt	24,507	16,967	34,626	
Repayment of long-term debt	(5,994)	(5,243)	(92,439)	
Deferred financing costs on long-term debt	--	--	--	
Issuance of common shares on exercise of options	1,826	1,102	21,851	
Issuance of common shares on exercise of warrants	--	--	--	
Change in bank indebtedness	15,360	(5,395)	19,491	
	35,699	7,431	(16,471)	
Increase (decrease) in cash	(3,102)	--	10,885	
Cash, beginning of period	27,218	--	13,231	
Cash, end of period	\$ 24,116	\$ --	\$ 24,116	\$
Funds provided by operations per share:				
Basic	\$ 0.47	\$ 2.07	\$ 2.89	\$
Diluted	\$ 0.46	\$ 2.05	\$ 2.83	\$

## Edgar Filing: PRECISION DRILLING CORP - Form 6-K

See accompanying notes to consolidated financial statements

PRECISION DRILLING 2002 INTERIM REPORT 9

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(Tabular amounts stated in thousands of dollars, except per share amounts)

### NOTE 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, 2001, except for accounting policy changes outlined in Notes 3, 4 and 5. 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, 2001 contained in the Corporation's 2001 annual report.

### NOTE 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.

### NOTE 3. ACCOUNTING FOR BUSINESS COMBINATIONS, GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, the Corporation adopted the new Canadian accounting standards relating to business combinations and goodwill and other intangible assets.

Under the new business combination standard, the Corporation is required to use the purchase method to account for all business combinations and identify, separate from goodwill, other intangible assets that arise from contractual or legal rights or that can be separately sold.

In September, the Corporation acquired the business assets of Night Hawk Vacuum Services Ltd. for \$3.1 million. The net assets acquired were substantially property, plant and equipment. No value was assigned to intangibles or goodwill.

Under the new standard for accounting for goodwill, goodwill is no longer amortized, but is tested for impairment at least annually. As required, the Corporation has completed its initial assessment of the potential impairment of goodwill, effective January 1, 2002, and concluded that there is no indication

## Edgar Filing: PRECISION DRILLING CORP - Form 6-K

of impairment. An assessment of potential goodwill impairment will be completed annually in the fourth quarter.

### NOTE 4. FOREIGN CURRENCY TRANSLATION

Effective January 1, 2002, the Corporation adopted, on a retroactive basis, a new Canadian accounting standard whereby unrealized gains or losses are no longer deferred and amortized but rather expensed as incurred.

As a result of this change, unrealized gains and losses related to translation of foreign currency denominated long-term debt are no longer deferred and amortized over the term of the debt but are expensed as incurred. Prior period results have been restated to reflect this change. The retroactive application of this standard has reduced the opening balance of retained earnings by \$1.6 million at January 1, 2002 (\$115,000 at January 1, 2001).

### NOTE 5. STOCK-BASED COMPENSATION PLANS

Effective January 1, 2002, the Corporation has prospectively adopted the new accounting policies with respect to accounting for stock options. The Corporation's stock-based compensation plans for employees do not involve the direct award of stock, or call for the settlement in cash or other assets. As a result the Corporation has the option to apply either the intrinsic value based or the fair value based method of accounting for stock-based compensation awards granted to employees.

The Corporation has elected to apply the intrinsic value based method and accordingly, no compensation costs have been recognized in the financial statements. In accordance with the Corporation's stock option plans, these options have an exercise price equal to the market price at date of grant. The per share weighted average fair value of stock options granted during the nine month period ended

## 10 PRECISION DRILLING 2002 INTERIM REPORT

INTERIM REPORT TO SHAREHOLDERS 2002 [GRAPHIC OMITTED - COMPANY LOGO]

September 30, 2002 was \$21.20 based on the date of grant using the Black-Scholes option pricing model with the following assumptions: average risk-free interest rate of 4.7%, average expected life of 3.9 years and expected volatility of 49%.

Had the Corporation determined compensation costs based on the fair value at the date of grant for stock options granted since January 1, 2002; net earnings and earnings per share (EPS) would have decreased to the pro forma amounts indicated below. These pro forma amounts reflect compensation cost amortized over the option's vesting period.

	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2002
Net earnings		
- As reported	\$ 12,246	\$ 82,402
- Pro forma	10,195	78,408
Diluted EPS		
- As reported	\$ 0.22	\$ 1.51
- Pro forma	0.19	1.43

### NOTE 6. SEGMENT INFORMATION

CONTRACT      TECHNOLOGY      RENTAL AND

## Edgar Filing: PRECISION DRILLING CORP - Form 6-K

THREE MONTHS ENDED SEPTEMBER 30, 2002	DRILLING GROUP	SERVICES GROUP	PRODUCTION GROUP	CORPORATE AND OTHER
Revenue	\$ 155,369	\$ 161,569	\$ 64,633	\$ 1,250
Operating earnings	26,842	(7,840)	10,322	(5,690)
Research and engineering	--	8,990	--	--
Depreciation and amortization	14,552	13,028	3,744	1,100
Assets	1,279,871	1,084,803	236,983	71,940
Capital expenditures*	10,530	44,307	3,237	1,960

### THREE MONTHS ENDED SEPTEMBER 30, 2001 (1)

Revenue	\$ 242,385	\$ 170,307	\$ 61,003	\$ 32,000
Operating earnings	75,657	12,597	8,610	(6,570)
Research and engineering	--	7,187	--	--
Depreciation and amortization	16,402	12,295	3,799	980
Assets	1,400,739	932,620	237,100	54,440
Capital expenditures*	27,170	45,963	5,959	740

### NINE MONTHS ENDED SEPTEMBER 30, 2002 (1)

Revenue	\$ 583,955	\$ 494,756	\$ 214,928	\$ 1,250
Operating earnings	143,851	(15,782)	37,149	(20,910)
Research and engineering	--	25,278	--	--
Depreciation and amortization	46,829	42,704	11,336	3,230
Assets	1,279,871	1,084,803	236,983	71,940
Capital expenditures*	29,534	121,329	14,947	2,700

### NINE MONTHS ENDED SEPTEMBER 30, 2001 (1)

Revenue	\$ 783,277	\$ 504,719	\$ 207,804	\$ 1,780
Operating earnings	227,457	59,501	42,404	(21,510)
Research and engineering	--	22,434	--	--
Depreciation and amortization	59,305	36,548	11,052	2,030
Assets	1,400,739	932,620	237,100	54,440
Capital expenditures*	84,762	123,962	20,784	18,010

\* excludes business acquisitions

(1) Certain expenses have been reclassified between segments to more appropriately reflect operating earnings.

PRECISION DRILLING 2002 INTERIM REPORT 11

INTERIM REPORT TO SHAREHOLDERS 2002

[GRAPHIC OMITTED - COMPANY LOGO]

HEAD OFFICE

PRECISION DRILLING CORPORATION

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

Edgar Filing: PRECISION DRILLING CORP - Form 6-K

DIRECTORS

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

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

STEVEN C. GRANT (1) (2)  
Houston, Texas

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 Committee Member

OFFICERS

Hank B. Swartout  
Chairman of the Board,  
President and Chief Executive Officer

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

LARRY J. COMEAU  
Senior Vice President  
Technology Services Group

M.J. (MICK) MCNULTY  
Vice President Business Development  
and Treasurer

R.T. (BOB) GERMAN  
Vice President Finance

JAN M. CAMPBELL  
Corporate Secretary

BANKER

ROYAL BANK OF CANADA  
Calgary, Alberta

LEGAL COUNSEL

BORDEN LADNER GERVAIS LLP

## Edgar Filing: PRECISION DRILLING CORP - Form 6-K

Calgary, Alberta

### AUDITORS

KPMG LLP  
Calgary, Alberta

### STOCK EXCHANGE LISTINGS

Common shares of Precision Drilling Corporation are listed on The Toronto Stock Exchange under the trading symbol PD and on the New York Stock Exchange under the trading symbol PDS.

### TRADING PROFILE

#### TORONTO

January 1, 2002 to September 30, 2002  
High: \$61.30  
Low: \$36.74  
Volume traded - 53.5 million

#### NEW YORK

January 1, 2002 to September 30, 2002  
High: US\$39.24  
Low: US\$23.10  
Volume traded - 51.1 million

### TRANSFER AGENT AND REGISTRAR

COMPUTERSHARE TRUST COMPANY OF CANADA  
Calgary, Alberta

### TRANSFER POINT

COMPUTERSHARE TRUST COMPANY, INC.  
New York, New York

### ACCOUNT QUESTIONS

Our Transfer Agent can help you with a variety of shareholder related services, including:

- o Change of address
- o Lost share certificates
- o Transfer of stock to another person
- o Estate settlement

You can call our Transfer Agent toll free at:  
1-800-558-0046

You can write them at:  
COMPUTERSHARE TRUST COMPANY OF CANADA  
600, 530-8th Avenue SW  
Calgary, Alberta T2P 3S8

Or you can email them at:  
CAREGISTRYINFO@COMPUTERSHARE.COM

Shareholders of record who receive more than one copy of this interim 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.

## Edgar Filing: PRECISION DRILLING CORP - Form 6-K

### ONLINE INFORMATION

Anyone with access to the Internet can view this interim report electronically at [www.precisiondrilling.com](http://www.precisiondrilling.com)

12      PRECISION DRILLING 2002 INTERIM REPORT