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PRECISION DRILLING CORP  
Form 6-K  
August 04, 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 August 4, 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

If "Yes" is marked, indicate below the file number assigned to the

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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

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Jan M. Campbell  
Corporate Secretary

Date: August 4, 2004

Calgary, Alberta, Canada - July 29, 2004

PRECISION DRILLING CORPORATION  
ANNOUNCES IMPROVED SECOND QUARTER EARNINGS

Precision Drilling Corporation ("Precision" or the "Corporation") today announces improved results for the quarter ended June 30, 2004 compared to the same quarter in 2003. Diluted earnings per share from continuing operations were \$0.29 compared to \$0.16 in 2003. Diluted net earnings per share were \$0.28 in the second quarter of 2004 compared to \$0.16 in 2003. Earnings from continuing operations and net earnings were both increased in the second quarter of 2004 by a \$4.4 million (\$0.05 per share) foreign exchange gain on temporary bank borrowings incurred in connection with business acquisitions completed in the quarter.

During the quarter the Corporation completed the acquisition of Reeves Wireline Ltd. and the land drilling business of GlobalSanteFe for US \$164.9 and US \$316.5 respectively. The GlobalSanteFe acquisition added a drilling operation complete with experienced people, 31 well-maintained rigs and operating contracts in five countries, transforming Precision into the third largest player in the international market. Reeves' unique Compact(TM) wireline technology will allow Technology Services to service a broader market, particularly in the more mature oilfields throughout the world.

To finance these acquisitions, the Corporation completed in May a public offering of US \$300 million, 5.625% Notes due in 2014 and in July a public offering of 4,000,000 common shares for gross proceeds of approximately US \$200 million. In conjunction with the Notes offering the Corporation sought and received a rating of Baa2 (positive outlook) from Moody's to complement its Standard & Poors rating of BBB+ (stable outlook) and its Dominion Bond Rating Service rating of BBB (stable trend). With these transactions Precision

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maintains its strong balance sheet allowing the continuance of our internal growth initiatives and the exploration of acquisition opportunities as they arise.

Contract Drilling revenue increased by 31 % in the second quarter compared to the same period last year while operating earnings increased by 114%. The increase in operating earnings as a percentage of revenue was driven primarily by year over year drilling and service rig rate increases in the Canadian market. Operating efficiency initiatives undertaken in the service rig operation have also lead to cost savings. International drilling operations saw activity increase with two rigs being added in Mexico, increased activity in Venezuela, and with the acquisition of 31 rigs.

The Canadian Drilling rig fleet achieved 5,297 operating days for a 26% utilization rate in the quarter compared to 5,605 operating days and a 27% utilization rate in the comparable quarter of the prior year. Activity was slowed by wet weather which rendered ground conditions unsuitable for well site construction and equipment transportation.

Service rig hours increased by 3,968 or 5% in the second quarter of 2004 compared to the same quarter of 2003. The increased activity occurred in the northwestern portion of our operating area where customers were more willing to transport rigs to complete work to take advantage of sustained high crude oil and natural gas prices. This was offset somewhat by lower activity in the southeastern portion of our operating area as a result of wet weather conditions.

Technology Services revenue increased by 26% to \$179.6 million from \$142.7 million in the second quarter of 2003. The increase is attributable to improving activity levels in the US market, the commencement of new contracts in the Asia Pacific region, more wells being completed on the Burgos integrated services project and the acquisition of Reeves Wireline in May. These improvements were offset somewhat by reductions in Canada and the non-Burgos operations in Mexico.

Operating earnings, however, declined by \$2.8 million in the second quarter compared to the same period in 2003. Activity levels in Canada were curtailed by wet weather conditions and the operation was unable to maintain winter pricing levels. This operation has significant fixed costs that can not be quickly adjusted downward when revenue expectations are not met and when operating capability must be maintained to meet the high demand for service that is expected to return when weather permits. The region also incurred higher repair and maintenance costs in anticipation of a speedier pick up in activity. Non-Burgos operations in Mexico also suffered in comparison to the prior year as contracts for Testing/CPD and Drilling Services came to an end.

Elsewhere, there were encouraging signs especially in Burgos, Asia/Pacific and United States where revenue and operating earnings grew, compared to the prior year.

Research and engineering expense rose year over year as increased resources have been put towards completing the design, testing and build out of the Rotary Steerable tools in various hole sizes. R&E associated with the Reeves acquisition is also reflected for the first time. Depreciation increased in line with the continued build out of the logging-while-drilling (LWD), measurement-while-drilling (MWD) and rotary steerable fleets.

Rental and Production revenue declined by \$7.5 million or 12% in the second quarter compared to the second quarter of 2003. This decrease stemmed from the

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industrial plant maintenance business which experienced a slowing of activity with our Fort McMurray area oilsands customers who delayed or cancelled several projects. Activity in the rental operation was relatively consistent year over year with rental rates improving somewhat.

Certain statements contained in this press release, including statements which are related to drivers for improved earnings, customer requests for services and 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<br>JUNE 30, |            |        |
|--|--------------------------------|------------|--------|
|  | 2004                           | 2003       |        |
| Revenue  | \$ 418,691                     | \$ 345,641 | \$ 1,0 |
| Expenses:  |                                |            |        |
| Operating  | 297,970                        | 255,072    | 6      |
| General and administrative   | 42,287                         | 32,988     |        |
| Depreciation and amortization  | 41,923                         | 35,022     |        |
| Research and engineering   | 12,374                         | 8,746      |        |
| Foreign exchange   | (5,298)                        | 547        |        |
|  | 389,256                        | 332,375    | 8      |
| Operating earnings   | 29,435                         | 13,266     | 2      |
| Interest   | 10,706                         | 8,943      |        |
| Gain on disposal of investments  | (42)                           | (1,164)    |        |
| Earnings from continuing operations before income taxes and non-controlling interest | 18,771                         | 5,487      | 1      |
| Income taxes:  |                                |            |        |
| Current  | 19,954                         | 11,543     |        |
| Future   | (17,805)                       | (15,333)   |        |
|  | 2,149                          | (3,790)    |        |

Earnings from continuing operations before

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|  |            |            |      |
|--|------------|------------|------|
| non-controlling interest                       | 16,622     | 9,277      | 1    |
| Non-controlling interest                       | 429        | 280        |      |
| -----  |            |            |      |
| Earnings from continuing operations            | 16,193     | 8,997      | 1    |
| Discontinued operations, net of tax            | (198)      | (375)      |      |
| -----  |            |            |      |
| Net earnings                                   | 15,995     | 8,622      | 1    |
| Retained earnings, beginning of period         | 894,798    | 696,934    | 7    |
| =====  |            |            |      |
| Retained earnings, end of period               | \$ 910,793 | \$ 705,556 | \$ 9 |
| =====  |            |            |      |
| Earnings per share from continuing operations: |            |            |      |
| Basic  | \$ 0.29    | \$ 0.17    | \$   |
| Diluted  | \$ 0.29    | \$ 0.16    | \$   |
| =====  |            |            |      |
| Earnings per share:                            |            |            |      |
| Basic  | \$ 0.29    | \$ 0.16    | \$   |
| Diluted  | \$ 0.28    | \$ 0.16    | \$   |
| =====  |            |            |      |
| Common shares outstanding (000's)              | 55,909     | 54,399     |      |
| Weighted average shares outstanding (000's)    | 55,871     | 54,325     |      |
| Diluted shares outstanding (000's)             | 56,549     | 55,203     |      |

CONSOLIDATED BALANCE SHEETS

| CDN \$000's  | JUNE 30,<br>2004 |
|--|------------------|
|  | (UNAUDITED)      |
| ASSETS   |                  |
| Current assets:  |                  |
| Cash   | \$ 40,715        |
| Accounts receivable  | 527,751          |
| Inventory  | 110,589          |
| Assets of discontinued operations                              | --               |
|  | -----            |
|  | 679,055          |
| Property, plant and equipment, net of accumulated depreciation | 1,930,803        |
| Intangibles, net of accumulated amortization                   | 158,161          |
| Goodwill   | 771,639          |
| Other assets   | 14,571           |
| Assets of discontinued operations                              | --               |
|  | -----            |
|  | \$ 3,554,229     |
| =====  |                  |

LIABILITIES AND SHAREHOLDERS' EQUITY

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|   |              |
|---|--------------|
| Current liabilities:                              |              |
| Bank indebtedness                                 | \$ 71,795    |
| Accounts payable and accrued liabilities          | 269,322      |
| Income taxes payable                              | 23,209       |
| Current portion of long-term debt                 | 13,553       |
| Liabilities of discontinued operations            | --           |
|   | -----        |
|   | 377,879      |
| Long-term debt                                    | 905,181      |
| Future income taxes                               | 354,112      |
| Future income taxes of discontinued operations    | --           |
| Non-controlling interest                          | 13,303       |
| Shareholders' equity:                             |              |
| Cumulative translation adjustment                 | 1,231        |
| Contributed surplus                               | 17,260       |
| Share capital                                     | 974,470      |
| Retained earnings                                 | 910,793      |
|   | -----        |
|   | 1,903,754    |
|   | =====        |
|   | \$ 3,554,229 |
|   | =====        |
| Common shares outstanding (000's)                 | 55,909       |
| Common share purchase options outstanding (000's) | 2,408        |

CONSOLIDATED STATEMENTS OF CASH FLOW

| CDN \$000's (UNAUDITED)  | THREE MONTHS ENDED<br>JUNE 30, |          |      |
|--|--------------------------------|----------|------|
|  | 2004                           | 2003     |      |
| Cash provided by (used in):  |                                |          |      |
| Continuing operations:   |                                |          |      |
| Earnings from continuing operations                                    | \$ 16,193                      | \$ 8,997 | \$ 1 |
| Items not affecting cash:  |                                |          |      |
| Stock-based compensation   | 1,898                          | 2,254    |      |
| Depreciation and amortization  | 41,923                         | 35,022   |      |
| Gain on disposal of investments  | (42)                           | (1,164)  |      |
| Future income taxes  | (17,805)                       | (15,333) |      |
| Non-controlling interest   | 429                            | 280      |      |
| Amortization of deferred financing costs                               | 360                            | 322      |      |
| Unrealized foreign exchange loss (gain) on<br>long-term monetary items | (3,514)                        | (8,267)  |      |
|  | -----                          | -----    |      |
| Funds provided by continuing operations                                | 39,442                         | 22,111   | 2    |
| Changes in non-cash working capital balances                           | 162,697                        | 146,236  |      |
|  | =====                          | =====    |      |
|  | 202,139                        | 168,347  | 2    |

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|   |           |           |    |
|---|-----------|-----------|----|
| Funds provided by (used in) discontinued operations                     | (695)     | (1,821)   |    |
| Changes in non-cash working capital balances of discontinued operations | (5,473)   | 3,831     |    |
|   | (6,168)   | 2,010     |    |
| Investments:  |           |           |    |
| Business acquisitions   | (658,212) | --        | (6 |
| Purchase of property, plant and equipment                               | (55,253)  | (91,657)  | (1 |
| Proceeds on sale of property, plant and equipment                       | 6,533     | 6,909     |    |
| Proceeds on disposal of investments                                     | 48        | 7,620     |    |
| Proceeds on disposal of discontinued operations                         | 15,000    | 6,914     |    |
| Investments   | (1,340)   | (115)     |    |
|   | (693,224) | (70,329)  | (7 |
| Financing:  |           |           |    |
| Increase in long-term debt  | 520,873   | --        | 5  |
| Repayment of long-term debt   | (6,898)   | (135,731) | (  |
| Deferred financing costs on long-term debt                              | (4,985)   | --        |    |
| Issuance of common shares on exercise of options                        | 6,236     | 3,940     |    |
| Change in bank indebtedness   | 2,533     | 16,023    | (  |
|   | 517,759   | (115,768) | 4  |
| =====   |           |           |    |
| Increase (decrease) in cash   | 20,506    | (15,740)  |    |
| Cash, beginning of period   | 20,209    | 26,697    |    |
| =====   |           |           |    |
| Cash, end of period   | \$ 40,715 | \$ 10,957 | \$ |
| =====   |           |           |    |

SEGMENT INFORMATION

| THREE MONTHS ENDED JUNE 30, 2004<br>CDN \$000's (unaudited) | Contract<br>Drilling | Technology<br>Services | Rental and<br>Production | Corpo<br>and O |
|---|----------------------|------------------------|--------------------------|----------------|
| Revenue   | \$ 182,739           | \$ 179,604             | \$ 56,348                | \$             |
| Operating earnings  | 41,319               | (13,189)               | 9,613                    | (8             |
| Research and engineering                                    | --                   | 12,374                 | --                       |                |
| Depreciation and amortization                               | 14,734               | 22,733                 | 3,271                    | 1              |
| Total assets  | 1,774,647            | 1,515,784              | 177,471                  | 86             |
| Goodwill  | 387,265              | 355,772                | 28,702                   |                |
| Capital expenditures*                                       | 22,334               | 23,714                 | 3,020                    | 6              |
| -----   |                      |                        |                          |                |
| THREE MONTHS ENDED JUNE 30, 2003<br>CDN \$000's (unaudited) | Contract<br>Drilling | Technology<br>Services | Rental and<br>Production | Corpo<br>and O |

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|                               |    |           |    |           |    |         |    |     |
|-------------------------------|----|-----------|----|-----------|----|---------|----|-----|
| Revenue                       | \$ | 139,082   | \$ | 142,727   | \$ | 63,832  | \$ |     |
| Operating earnings            |    | 19,298    |    | (10,430)  |    | 14,190  |    | (9) |
| Research and engineering      |    | --        |    | 8,746     |    | --      |    |     |
| Depreciation and amortization |    | 12,660    |    | 18,193    |    | 2,973   |    | 1   |
| Total assets                  |    | 1,274,722 |    | 1,225,377 |    | 178,104 |    | 60  |
| Goodwill                      |    | 257,531   |    | 241,340   |    | 28,572  |    |     |
| Capital expenditures          |    | 21,698    |    | 61,180    |    | 3,345   |    | 5   |

SIX MONTHS ENDED JUNE 30, 2004 (1)  
 CDN \$000's (unaudited)

|                               |    |           |    |            |    |            |    |       |
|-------------------------------|----|-----------|----|------------|----|------------|----|-------|
|                               |    | Contract  |    | Technology |    | Rental and |    | Corpo |
|                               |    | Drilling  |    | Services   |    | Production |    | and O |
| Revenue                       | \$ | 569,990   | \$ | 406,818    | \$ | 107,048    | \$ |       |
| Operating earnings            |    | 189,927   |    | 16,604     |    | 19,354     |    | (23)  |
| Research and engineering      |    | --        |    | 24,188     |    | --         |    |       |
| Depreciation and amortization |    | 39,091    |    | 43,388     |    | 6,573      |    | 2     |
| Total assets                  |    | 1,774,647 |    | 1,515,784  |    | 177,471    |    | 86    |
| Goodwill                      |    | 387,265   |    | 355,772    |    | 28,702     |    |       |
| Capital expenditures*         |    | 39,535    |    | 49,437     |    | 9,465      |    | 10    |

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

|                               |    |           |    |            |    |            |    |       |
|-------------------------------|----|-----------|----|------------|----|------------|----|-------|
|                               |    | Contract  |    | Technology |    | Rental and |    | Corpo |
|                               |    | Drilling  |    | Services   |    | Production |    | and O |
| Revenue                       | \$ | 474,394   | \$ | 345,764    | \$ | 113,453    | \$ |       |
| Operating earnings            |    | 123,823   |    | 2,668      |    | 22,461     |    | (16)  |
| Research and engineering      |    | --        |    | 17,645     |    | --         |    |       |
| Depreciation and amortization |    | 38,273    |    | 36,946     |    | 6,292      |    | 2     |
| Total assets                  |    | 1,274,722 |    | 1,225,377  |    | 178,104    |    | 60    |
| Goodwill                      |    | 257,531   |    | 241,340    |    | 28,572     |    |       |
| Capital expenditures*         |    | 29,996    |    | 121,208    |    | 7,194      |    | 9     |

\*EXCLUDES BUSINESS ACQUISITIONS

(1) CERTAIN EXPENSES HAVE BEEN RECLASSIFIED FROM GENERAL AND ADMINISTRATIVE EXPENSES TO BE MORE APPROPRIATELY INCLUDED IN RESEARCH AND ENGINEERING.

CANADIAN DRILLING OPERATING STATISTICS

FOR THE SIX MONTHS ENDED JUNE 30, 2004

|  |           |           |                |           |
|--|-----------|-----------|----------------|-----------|
|  | Precision | Industry* | Market Share % | Precision |
| Number of drilling rigs                    | 225       | 683       | 32.9           | 226       |
| Number of operating days (spud to release) | 20,065    | 63,735    | 31.5           | 20,246    |
| Wells drilled                              | 3,530     | 9,964     | 35.4           | 3,496     |
| Average days per well                      | 5.7       | 6.4       |                | 5.8       |



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|                          |       |        |      |       |
|--------------------------|-------|--------|------|-------|
| Metres drilled (000's)   | 3,799 | 10,882 | 34.9 | 3,643 |
| Average metres/day       | 189   | 171    |      | 180   |
| Average metres/well      | 1,076 | 1,092  |      | 1,042 |
| Rig utilization rate (%) | 48.9  | 51.6   |      | 49.6  |

\* Excludes non-CAODC rigs.

A conference call to review the second quarter 2004 results has been scheduled for 12:00 noon MST on Thursday, July 29, 2004. The conference call dial-in number is 1-800-814-4853.

A live webcast will be accessible at [WWW.PRECISIONDRILLING.COM](http://WWW.PRECISIONDRILLING.COM) by selecting Investor Relations.

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, ALBERTA T2P 3Y7, TELEPHONE: (403) 716-4500, FAX: (403) 264-0251; WEBSITE: [WWW.PRECISIONDRILLING.COM](http://WWW.PRECISIONDRILLING.COM).