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PRECISION DRILLING CORP
Form 6-K
May 12, 2005

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 12, 2005

Commission File Number: 001-14534

PRECISION DRILLING CORPORATION
(Exact name of registrant as specified in its charter)

4200, 150 - 6TH AVENUE S.W.
CALGARY, ALBERTA
CANADA T2P 3Y7
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1). _____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- N/A

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRECISION DRILLING CORPORATION

Per: /s/ Jan M. Campbell

Jan M. Campbell
Corporate Secretary

Date: May 12, 2005

1st QUARTER 2005

PRECISION DRILLING CORPORATION INTERIM REPORT PERIODS ENDED MARCH 31, 2005 AND 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

HIGHLIGHTS

THREE MONTHS ENDED MARCH 31,

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

2005

2004

FINANCIAL RESULTS

| | | | | |
|---|----|---------|----|---------|
| Revenue | \$ | 791,876 | \$ | 659,300 |
| Operating earnings (1) | | 224,241 | | 169,600 |
| Earnings from continuing operations | | 138,518 | | 106,000 |
| Net earnings | | 138,518 | | 100,500 |
| Diluted earnings per share: | | | | |
| From continuing operations | | 2.22 | | 1.80 |
| Net earnings | | 2.22 | | 1.80 |
| Funds provided by continuing operations | \$ | 204,989 | \$ | 178,100 |

MARCH 31,
2004

FINANCIAL POSITION

| | | |
|--------------------|----|---------|
| Working capital | \$ | 722,600 |
| Long-term debt (2) | | 717,000 |

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Cash and cash equivalents
Long-term debt to long-term debt plus equity (2)

177,5
0.

-
- (1) SEE EXPLANATION ON PAGE 7
(2) EXCLUDES CURRENT PORTION OF LONG-TERM DEBT

PRECISION DRILLING CORPORATION

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1st QUARTER 2005

OVERVIEW

Income from continuing operations for the first quarter of 2005 was \$139 million or \$2.22 per diluted share, compared to \$106 million or \$1.88 per diluted share for the first quarter of 2004.

Revenue increased by 20% to \$792 million, with operating earnings substantially surpassing this improvement, increasing 32% to \$224 million.

Year-over-year, Precision Drilling's three business segments increased operating earnings with growth of 107% in Energy Services, 43% in Rental and Production and 16% in Contract Drilling. These improvements were the result of:

- o The successful integration of the Compact(TM) wireline services and the internationally based land drilling rigs acquisitions executed in the second quarter of 2004;
- o Increased service pricing in response to continued strong demand; and
- o Enhanced equipment utilization in Energy Services.

It is important to note that this improvement in year-over-year profitability occurred despite decreased overall activity levels in Canada, demonstrating the success of Precision's efforts to expand internationally, as well as its pricing strength in the Canadian market.

International revenue in the first quarter of 2005 increased 51% over the same period in 2004 due to our successful acquisition of 31 internationally based land drilling rigs and geographic expansion into high growth markets by our Energy Services segment. Internationally, Energy Services generated higher earnings across all product lines in nearly all of the regions in which the company operates.

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1st QUARTER 2005

SEGMENT REVIEW
THREE MONTHS ENDED MARCH 31,

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| (STATED IN THOUSANDS OF DOLLARS) | 2005 | 2004 | % Change |
|----------------------------------|------------|------------|----------|
| <hr/> | | | |
| OPERATING EARNINGS: (1) | | | |
| Contract Drilling | \$ 170,675 | \$ 147,719 | 15.5 |
| Energy Services | 56,011 | 27,117 | 106.6 |
| Rental and Production | 13,977 | 9,741 | 43.5 |
| Corporate and Other | (16,422) | (14,946) | (9.9) |
| | <hr/> | <hr/> | |
| | \$ 224,241 | \$ 169,631 | 32.2 |

(1) SEE EXPLANATION ON PAGE 7

| CONTRACT DRILLING THREE MONTHS ENDED MARCH 31, (STATED IN THOUSANDS OF DOLLARS, EXCEPT PER DAY/HOUR AMOUNTS) | % OF 2005 | REVENUE |
|--|--------------|---------|
| <hr/> | | |
| Revenue | \$ 443,192 | |
| Expenses: | | |
| Operating | 233,095 | 52.6 |
| General and administrative | 11,155 | 2.5 |
| Depreciation and amortization | 27,763 | 6.3 |
| Foreign exchange | 504 | 0.1 |
| | <hr/> | |
| Operating earnings (1) | \$ 170,675 | 38.5 |

% CHANGE

| | |
|---|-----------|
| Number of drilling rigs (end of period) | 277 |
| Drilling rig operating days | 16,811 |
| Drilling revenue per operating day | \$ 19,652 |
| Number of service rigs (end of period) | 239 |
| Service rig operating hours | 139,674 |
| Service revenue per operating hour | \$ 600 |

(1) SEE EXPLANATION ON PAGE 7

Revenue in the Contract Drilling segment increased by 11% to \$443 million in the first quarter compared to the same period in 2004. This revenue increase was primarily driven by the acquisition of 31 internationally based land drilling rigs in May 2004 as well as higher pricing levels in the Canadian market. This revenue growth rate was partially reduced by lower activity levels in Canada due to an early spring breakup, which shortened the winter drilling season.

Operating earnings of \$171 million in the first quarter of 2005 increased 16% compared to the same period in 2004. The strong growth in operating earnings was driven by international drilling rig fleet expansion and pricing improvements in Canada. Further gains were limited by lower activity in Canada and by relatively lower margins in the Eastern Hemisphere compared to Canada. However, recent contract awards in the Eastern Hemisphere have been for substantially increased drilling rig day rates and improved utilization is anticipated over the coming months.

The Canadian drilling rig fleet achieved 13,999 operating days, for an

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overall utilization rate of 68% in the quarter, compared to 14,768 operating days and a 72% utilization rate in the first quarter of 2004. The service rig operation saw operating hours decrease by 7% year-over-year from 150,693 in the first quarter of 2004 compared to 139,674 in the first quarter of 2005.

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The international drilling rig fleet achieved 2,812 operating days, for an overall utilization rate of 65% in the quarter, compared to 1,329 operating days and a 77% utilization rate in the first quarter of 2004. The utilization rate was reduced in the first quarter of 2005 relative to 2004 as there were 400 fewer operating days associated with the Burgos project in Mexico. The rig fleet numbered 48 at quarter end, an increase of 29 rigs over the prior year.

ENERGY SERVICES

THREE MONTHS ENDED MARCH 31,

(STATED IN THOUSANDS OF DOLLARS)

| | 2005 | % OF REVENUE | 2004 |
|--|------------|-----------------|------------|
| Revenue | \$ 281,725 | | \$ 208,197 |
| Expenses: | | | |
| Operating | 168,850 | 59.9 | 134,783 |
| General and administrative | 23,105 | 8.2 | 13,129 |
| Depreciation and amortization | 24,213 | 8.6 | 20,428 |
| Research and engineering | 11,323 | 4.0 | 11,810 |
| Foreign exchange | (1,777) | (0.6) | 930 |
| Operating earnings (1) | \$ 56,011 | 19.9 | \$ 27,117 |
| Wireline jobs performed | 10,403 | | 11,058 |
| Drilling and evaluation operating days | 10,607 | | 10,083 |
| Well testing/CPD (2) man-days | 35,881 | | 29,406 |

(1) SEE EXPLANATION ON PAGE 7

(2) CONTROLLED PRESSURE DRILLING (CPD)

Energy Services generated revenue of \$282 million in the first quarter of 2005, an increase of 35% or \$74 million over the same period in 2004. Of this increase, \$36 million related to the Compact(TM) wireline services acquisition in May, 2004. Excluding the impact of this acquisition, the remaining \$38 million of growth was achieved primarily in international operations with Canadian revenues effectively flat year over year. In Canada, strong activity in the first two months of the year was offset by the effects of an early spring break up.

Wireline Services revenue was \$144 million in the first quarter of 2005, an increase of \$52 million over the same period in 2004. Excluding the impact of the Compact(TM) wireline services acquisition, revenues increased by \$16 million or 18%. Of this increase, \$5 million was generated in Canada as a result of increased activity in the first two months of the year, partially offset by the effects of an early spring break up. The remaining \$11 million increase was driven by improved international results based on increased

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activity in the United States, Mexico, Latin America, Asia Pacific and the Middle East.

Drilling & Evaluation Services revenue increased 25% to \$100 million in the first quarter of 2005 from \$80 million in the first quarter of 2004. During the quarter, revenues from international operations grew by \$28 million, driven by increased utilization of Precision's LWD/HEL tools and rotary steerable systems, which together provided \$14 million of incremental revenue. Offsetting these results were the effects of an early spring break up in 2005 combined with increased commoditization of the MWD tools in Canada.

Revenues from Production Services grew by 20% to \$36 million in the first three months of 2005 from \$30 million in the first quarter of 2004, reflecting higher activity in Canada and the Middle East.

Operating earnings increased by \$29 million or 107% to \$56 million for the first quarter of 2005, compared to \$27 million in the same period of 2004. This increase is attributable to the Compact(TM) wireline services acquisition, combined with revenue growth across all product lines and operating cost

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1st QUARTER 2005

improvements. Cost improvements as a percentage of revenue have occurred in the segment's mature markets as a result of cost control initiatives, and in its developing markets through the achievement of critical mass. Increased depreciation, resulting from an increased tool fleet, partially offset these gains.

| RENTAL AND PRODUCTION THREE MONTHS ENDED MARCH 31, (STATED IN THOUSANDS OF DOLLARS) | 2005 | % OF REVENUE | 2004 |
|---|-----------|-----------------|-----------|
| Revenue | \$ 66,959 | | \$ 50,700 |
| Expenses: | | | |
| Operating | 47,144 | 70.4 | 35,000 |
| General and administrative | 2,497 | 3.7 | 2,644 |
| Depreciation and amortization | 3,311 | 4.9 | 3,302 |
| Foreign exchange | 30 | 0.1 | 13 |
| Operating earnings (1) | \$ 13,977 | 20.9 | \$ 9,741 |
| Equipment rental days (000's) | 223 | | 253 |

(1) SEE EXPLANATION ON PAGE 7

The Rental and Production segment saw a 32% increase in revenue and a 43% increase in operating earnings in the first quarter of 2005 compared to the same period in 2004. These increases were driven primarily by the industrial

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plant maintenance business and its increased activity in the Alberta oil sands projects.

OTHER ITEMS

Corporate and other expenses remained consistent year over year with the one exception being foreign exchange gains which amounted to \$1.4 million in the first quarter of 2005 compared to a loss of \$0.3 million in 2004.

The Corporation's effective tax rate for the first quarter of 2005 of 34.8% was also consistent with the 2004 rate of 34.3%.

Interest expense increased in the first quarter of 2005 compared to the same period of the prior year as a result of additional debt incurred in the second quarter of 2004 to finance business acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's liquidity position continues to improve with cash flow from operations and from the exercise of stock options exceeding net capital spending by \$56 million in the first three months of 2005. The long-term debt to long-term debt plus equity ratio continued to decline from 0.24 at December 31, 2004 to 0.22 at March 31, 2005 and the Corporation's \$335 million revolving bank credit facility remains undrawn. During April 2005 the Corporation issued 30,105 shares on the exercise of stock options.

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QUARTERLY FINANCIAL SUMMARY

(STATED IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS, WHICH ARE PRESENTED ON A DILUTED BASIS)

| Quarters ended | June 30 | September 30 | 2004 |
|---|---------|--------------|------|
| Revenue | 416,317 | 570,047 | |
| Operating earnings (1) | 29,037 | 77,074 | |
| Earnings from continuing operations | 15,982 | 41,034 | |
| Per share | 0.28 | 0.68 | |
| Net earnings | 15,995 | 42,707 | |
| Per share | 0.28 | 0.71 | |
| Funds provided by continuing operations | 38,947 | 103,095 | |

| Quarters ended | June 30 | September 30 | 2003 |
|-------------------------------------|---------|--------------|------|
| Revenue | 342,246 | 450,942 | |
| Operating earnings (1) | 12,314 | 60,958 | |
| Earnings from continuing operations | 8,489 | 36,455 | |
| Per share | 0.15 | 0.66 | |

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| | | |
|---|--------|--------|
| Net earnings | 8,622 | 35,765 |
| Per share | 0.16 | 0.65 |
| Funds provided by continuing operations | 21,215 | 91,764 |

(1) SEE EXPLANATION ON PAGE 7

(1) OPERATING EARNINGS - 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

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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,

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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.

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CONSOLIDATED BALANCE SHEETS

(STATED IN THOUSANDS OF DOLLARS)

MARCH 31,
2005
(UNAUDITED)

DECE

ASSETS

Current assets:

| | | | |
|---------------------------|----|---------|----|
| Cash and cash equivalents | \$ | 177,563 | \$ |
| Accounts receivable | | 818,653 | |
| Inventory | | 120,201 | |
| Future income tax asset | | 9,266 | |

| | | | |
|--|--|-----------|---|
| | | 1,125,683 | |
| Property, plant and equipment, net of accumulated depreciation | | 1,954,851 | 1 |
| Intangibles, net of accumulated amortization | | 188,550 | |
| Goodwill | | 734,979 | |
| Other assets | | 8,658 | |
| Future income tax asset | | 27,133 | |

| | | | | |
|--|----|-----------|----|---|
| | \$ | 4,039,854 | \$ | 3 |
|--|----|-----------|----|---|

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

| | | | |
|--|----|---------|----|
| Accounts payable and accrued liabilities | \$ | 344,649 | \$ |
| Income taxes payable | | 53,445 | |
| Current portion of long-term debt | | 18 | |
| Future income tax liability | | 4,933 | |

| | | | |
|-----------------------------------|--|-----------|---|
| | | 403,045 | |
| Long-term debt | | 717,095 | |
| Future income taxes | | 432,801 | |
| Shareholders' equity: | | | |
| Share capital | | 1,298,769 | 1 |
| Contributed surplus | | 29,588 | |
| Cumulative translation adjustment | | (21,645) | |

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| | | |
|---|--------------|------|
| Retained earnings | 1,180,201 | 1 |
| | 2,486,913 | 2 |
| | \$ 4,039,854 | \$ 3 |
| Common shares outstanding (000's) | 61,330 | |
| Common share purchase options outstanding (000's) | 2,994 | |

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CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
(UNAUDITED)

THREE MONTHS ENDED MARCH 31,
(STATED IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS) 2005

| | | |
|---|--------------|----|
| Revenue | \$ 791,876 | \$ |
| Expenses: | | |
| Operating | 449,089 | |
| General and administrative | 51,912 | |
| Depreciation and amortization | 56,736 | |
| Research and engineering | 11,323 | |
| Foreign exchange | (1,425) | |
| | 567,635 | |
| Operating earnings | 224,241 | |
| Interest | 11,748 | |
| Earnings from continuing operations before income taxes | 212,493 | |
| Income taxes: | | |
| Current | 70,489 | |
| Future | 3,486 | |
| | 73,975 | |
| Earnings from continuing operations | 138,518 | |
| Discontinued operations, net of tax (Note 4) | - | |
| Net earnings | 138,518 | |
| Retained earnings, beginning of period | 1,041,683 | |
| Retained earnings, end of period | \$ 1,180,201 | \$ |
| Earnings per share from continuing operations: | | |
| Basic | \$ 2.26 | \$ |

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| | | | |
|---|----|--------|----|
| Diluted | \$ | 2.22 | \$ |
| ----- | | | |
| Earnings per share: | | | |
| Basic | \$ | 2.26 | \$ |
| Diluted | \$ | 2.22 | \$ |
| ----- | | | |
| Common shares outstanding (000's) | | 61,330 | |
| Weighted average shares outstanding (000's) | | 61,157 | |
| Diluted shares outstanding (000's) | | 62,438 | |

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CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

THREE MONTHS ENDED MARCH 31,
(STATED IN THOUSANDS OF DOLLARS)

2005

| | | | |
|---|----|-----------|----|
| ----- | | | |
| Cash provided by (used in): | | | |
| Continuing operations: | | | |
| Earnings from continuing operations | \$ | 138,518 | \$ |
| Items not affecting cash: | | | |
| Depreciation and amortization | | 56,736 | |
| Stock-based compensation | | 4,875 | |
| Future income taxes | | 3,486 | |
| Amortization of deferred financing costs | | 459 | |
| Unrealized foreign exchange loss on long-term monetary items | | 915 | |
| ----- | | | |
| Funds provided by continuing operations | | 204,989 | |
| Changes in non-cash working capital balances | | (107,457) | |
| ----- | | | |
| | | 97,532 | |
| ----- | | | |
| Discontinued operations: | | | |
| Funds used in discontinued operations (Note 4) | | - | |
| Changes in non-cash working capital balances of discontinued operations | | - | |
| ----- | | | |
| | | - | |
| ----- | | | |
| Investments: | | | |
| Business acquisitions | | - | |
| Purchase of property, plant and equipment | | (72,960) | |
| Purchase of intangibles | | (20) | |
| Proceeds on sale of property, plant and equipment | | 8,512 | |
| Proceeds on disposal of discontinued operations | | - | |
| ----- | | | |
| | | (64,468) | |
| ----- | | | |
| Financing: | | | |
| Increase in long-term debt | | - | |

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| | | | |
|--|--|------------|----|
| Repayment of long-term debt | | (4) | |
| Issuance of common shares on exercise of options | | 22,491 | |
| Change in bank indebtedness | | - | |
| | | ----- | |
| | | 22,487 | |
| | | ----- | |
| Increase (decrease) in cash | | 55,551 | |
| Cash and cash equivalents, beginning of period | | 122,012 | |
| | | ----- | |
| Cash and cash equivalents, end of period | | \$ 177,563 | \$ |
| | | ----- | |

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1st QUARTER 2005

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, 2004, 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, 2004 contained in the Corporation's 2004 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. CHANGES IN ACCOUNTING ESTIMATE

Effective January 1, 2005 Precision changed the useful life of its drilling rigs for purposes of determining depreciation expense to 5,000 utilization days from 4,150 utilization days (3,650 operating days), and its drill string to 1,500 from 1,100 operating days. Utilization days include both operating and rig move days. This change in accounting estimate has been applied

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prospectively and resulted in a \$4.7 million reduction of depreciation expense for the three months ended March 31, 2005.

4. DISPOSAL OF DISCONTINUED OPERATIONS

On February 12, 2004, the Corporation sold substantially all of the assets of Fleet Cementers Inc. On May 7, 2004 the Corporation sold the assets of the Polar Completions division. On August 31, 2004 the Corporation sold its 65% interest in United Diamond Ltd. These assets were included in the Energy Services segment and were disposed of as they were not a core component of the Corporation's Energy Services globalization strategy.

Results of the operations of these businesses were classified as results of discontinued operations. The following table provides additional information with respect to amounts included in the results of discontinued operations for the three months ended March 31, 2004:

| | |
|---|-----------|
| Revenue | \$ 13,992 |
| Results of operations before income taxes | \$ 2,715 |
| Writedown of assets held for sale | (6,117) |
| | (3,402) |

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| | |
|--|------------|
| Income tax expense | 361 |
| Results of operations, before non-controlling interest | (3,763) |
| Non-controlling interest | 857 |
| Results of operations | (4,620) |
| Loss on disposal of Fleet Cementers' assets | (943) |
| Discontinued operations | \$ (5,563) |

The following table provides additional information with respect to amounts included in the statement of cash flow related to discontinued operations for the three months ended March 31, 2004:

| | |
|--|------------|
| Net loss of discontinued operations | \$ (5,563) |
| Items not affecting cash: | |
| Loss on disposal of discontinued operations | 943 |
| Depreciation and amortization | 879 |
| Non-controlling interest | 857 |
| Writedown of assets of discontinued operations | 3,293 |
| Future income taxes | (1,997) |
| Funds used in discontinued operations | \$ (1,588) |

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5. SEGMENTED INFORMATION

| THREE MONTHS ENDED MARCH 31, 2005 | CONTRACT DRILLING | ENERGY SERVICES | RENTAL AND PRODUCTION | CORPORATE AND OTHER |
|--------------------------------------|----------------------|--------------------|--------------------------|------------------------|
| Revenue | \$ 443,192 | \$ 281,725 | \$ 66,959 | \$ - |
| Operating earnings (loss) | 170,675 | 56,011 | 13,977 | (16,422) |
| Research and engineering | - | 11,323 | - | - |
| Depreciation and amortization | 27,763 | 24,213 | 3,311 | 1,449 |
| Total assets | 1,999,672 | 1,682,192 | 194,736 | 163,254 |
| Goodwill | 350,507 | 355,770 | 28,702 | - |
| Capital expenditures | 19,694 | 35,935 | 10,764 | 6,587 |

| THREE MONTHS ENDED MARCH 31, 2004 | Contract Drilling | Energy Services | Rental and Production | Corporate and Other |
|--------------------------------------|----------------------|--------------------|--------------------------|------------------------|
| Revenue | \$ 400,468 | \$ 208,197 | \$ 50,700 | \$ - |
| Operating earnings (loss) | 147,719 | 27,117 | 9,741 | (14,946) |
| Research and engineering | - | 11,810 | - | - |
| Depreciation and amortization | 24,487 | 20,428 | 3,302 | 1,411 |
| Total assets | 1,503,219 | 1,319,876 | 177,513 | 55,927 |
| Goodwill | 257,531 | 242,314 | 28,702 | - |
| Capital expenditures* | 17,201 | 25,723 | 6,465 | 4,339 |

* EXCLUDES BUSINESS ACQUISITIONS

6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

PRECISION DRILLING CORPORATION

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1st QUARTER 2005

SHAREHOLDER INFORMATION

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the first quarter ended March 31, 2005, an evaluation of the effectiveness of Precision's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by Precision's principal executive officer and principal financial officer. Based upon that evaluation, the principal executive officer and principal financial officer have concluded that as of the end of that fiscal quarter, Precision's disclosure controls and procedures are effective to ensure that information required to be disclosed by Precision in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods

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specified in the Securities and Exchange Commission rules and forms.

During the first quarter ending March 31, 2005, there were no changes in Precision's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Precision's internal control over financial reporting.

It should be noted that while Precision's principal executive officer and principal financial officer believe that Precision's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that Precision's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

PRECISION DRILLING CORPORATION

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1st QUARTER 2005

SHAREHOLDER INFORMATION

DIRECTORS

W.C. (Mickey) Dunn (2) (3)
EDMONTON, ALBERTA

Robert J.S. Gibson (1) (3)
CALGARY, ALBERTA

Patrick M. Murray (1)
DALLAS, TEXAS

Frederick W. Pheasey (2) (3)
EDMONTON, ALBERTA

Robert L. Phillips (2) (3)
VANCOUVER, BRITISH COLUMBIA

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

OFFICERS

Hank B. Swartout
CHAIRMAN OF THE BOARD, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

Dale E. Tremblay
SENIOR VICE PRESIDENT FINANCE

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AND CHIEF FINANCIAL OFFICER

Ian E. Kelly
SENIOR VICE PRESIDENT,
INTERNATIONAL DRILLING

John R. King
SENIOR VICE PRESIDENT,
ENERGY SERVICES

M.J. (Mick) McNulty
SENIOR VICE PRESIDENT,
OPERATIONS FINANCE

R.T. (Bob) German
VICE PRESIDENT AND
CHIEF ACCOUNTING OFFICER

PRECISION DRILLING CORPORATION

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1st QUARTER 2005

Jan M. Campbell
CORPORATE SECRETARY

HEAD OFFICE

PRECISION DRILLING CORPORATION
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Calgary, Alberta, Canada
T2P 3Y7
Telephone: 403-716-4500
Facsimile: 403-264-0251
Website: www.precisiondrilling.com

LEAD BANK
ROYAL BANK OF CANADA
CALGARY, ALBERTA

LEGAL COUNSEL
BORDEN LADNER GERVAIS LLP
CALGARY, ALBERTA
PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP
NEW YORK, NEW YORK

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

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TRADING PROFILE

TORONTO (TSX:PD)

January 1, 2005 to

March 31, 2005

High: \$97.50

Low: \$71.24

Volume traded: 22.5 million

NEW YORK (NYSE:PDS)

January 1, 2005 to

March 31, 2005

High: US \$79.69

Low: US \$57.77

Volume traded: 18.0 million

TRANSFER AGENT AND REGISTRAR
COMPUTERSHARE TRUST COMPANY OF CANADA
CALGARY, ALBERTA

PRECISION DRILLING CORPORATION

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1st QUARTER 2005

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:

- * 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

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visit our web site at www.precisiondrilling.com and refer to the Investor Relations section.

ESTIMATED RELEASE DATES FOR FINANCIAL RESULTS

2005 Second Quarter -

July 28, 2005

2005 Third Quarter -

October 27, 2005

PRECISION DRILLING CORPORATION

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PRECISION DRILLING CORPORATION

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