

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

PRECISION DRILLING TRUST
Form 6-K
November 29, 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 November 15, 2005

Commission File Number: 001-14534

PRECISION DRILLING TRUST
(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.

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

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.

Date: November 28, 2005

PRECISION DRILLING TRUST
By its Administrator PRECISION DRILLING
CORPORATION

By: /s/ Darren Ruhr

Name: Darren Ruhr
Title: Vice President, Corporate Services
and Corporate Secretary

PRECISION DRILLING CORPORATION INTERIM REPORT 3 PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

HIGHLIGHTS

THREE MONTHS ENDED SEPTEMBER 30,

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

2005

2004

FINANCIAL RESULTS

Revenue	\$	300,016	\$	218,023
Operating earnings (1)		111,956		61,799
Earnings from continuing operations		2,382		36,995
Net earnings		1,382,648		42,707
Diluted earnings per share:				
From continuing operations		0.02		0.31
Net earnings		11.00		0.36
Funds provided by (used in) continuing operations	\$	(54,747)	\$	56,477

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

SEPTEMBER 30,
2005

FINANCIAL POSITION

Working capital	\$ 2,948,598
Long-term debt (2)	--
Cash and cash equivalents	1,585,247
Long-term debt to long-term debt plus equity (2)	--

(1) SEE EXPLANATION ON PAGE 4

(2) EXCLUDES CURRENT PORTION OF LONG-TERM DEBT

PRECISION DRILLING CORPORATION

- 1 -

THIRD QUARTER INTERIM REPORT

OVERVIEW

Diluted earnings per share from continuing operations were \$0.02 in the third quarter of 2005 compared to \$0.31 in 2004.

Diluted earnings per share from continuing operations in the third quarter of 2005 was reduced by \$0.50 as a result of a number of one time items related to the Corporation's recent reorganization activities.

First is the \$65.5 million premium on repayment of the Corporation's outstanding debentures and second is the \$20.3 million market value adjustment to the shares of Weatherford International Ltd. ("Weatherford") received on the sale of the Energy Services and International Contract Drilling divisions. Excluding these items, diluted earnings per share from continuing operations is \$0.52 with the 68% increase over last year reflecting the strong market for oilfield services in Canada and favorable weather conditions allowing activity levels to rise to meet demand. Increased demand has resulted in improved pricing for all of our service offerings.

On August 31, the Corporation completed the sale of its Energy Services and International Contract Drilling divisions to Weatherford for a purchase price consisting of 26 million common shares of Weatherford and \$1.13 billion cash consideration and recognized an associated gain of \$1.262 billion. On September 13, Precision closed the sale of CEDA International Corporation ("CEDA"), which carried on the Industrial Services business, for cash proceeds of \$274 million, recognizing a gain of \$123 million.

In September, the Corporation announced its intentions to reorganize its remaining operations and holdings into an income trust and on October 4 the associated Notice of Special Meeting of Securityholders and Information Circular were mailed to securityholders. The special meeting to consider the conversion took place on October 31, 2005 with the actual conversion taking place on or about November 7, 2005. Pursuant to the reorganization, shareholders will be entitled to receive in exchange for each common share held (i) one unit of the Trust; (ii) their pro-rata share of the 26 million common shares of Weatherford owned by Precision; and (iii) their pro-rata share of up to \$850 million of cash. The Weatherford shares will not be subject to any resale restrictions. Based on current business conditions, it is anticipated that the Board of Trustees of the Trust will set the initial regular distributions to the Trust's unitholders at approximately \$0.24 per Trust Unit per month, with the first such payment expected to be made in the month following the effective date of the reorganization.

Also in September, Precision provided irrevocable redemption notices for

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

the repayment of all of its outstanding debentures and on October 17, 2005 paid approximately \$767 million to fulfill this obligation.

PRECISION DRILLING CORPORATION

- 2 -

THIRD QUARTER INTERIM REPORT

RESULTS OF CONTINUING OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30,	2005	2004	% Cha
Number of drilling rigs (end of period)	229	226	
Drilling operating days	12,539	9,479	3
Drilling revenue per operating day	16,259	15,029	
Number of service rigs (end of period)	238	239	(
Service rig operating hours	122,620	112,636	
Service revenue per operating hour	551	479	1

NINE MONTHS ENDED SEPTEMBER 30,	2005	2004	% Cha
Number of drilling rigs (end of period)	229	226	
Drilling operating days	32,587	29,526	1
Drilling revenue per operating day	17,300	16,031	
Number of service rigs (end of period)	238	239	(
Service rig operating hours	335,108	344,315	(
Service revenue per operating hour	567	498	1

Rig demand remains extremely strong and the wet weather conditions throughout the second quarter further enhanced the situation in the third quarter as ground conditions dried in July. The impact of this pent up demand resulted in an outstanding quarter for revenues and earnings as the backlog of wells to be drilled created a combination of positive factors. First, winter pricing held up through the spring and into the summer and second, whenever equipment became available there were customers that were prepared to put it to work immediately. This contributed to the 81% increase in operating earnings in the third quarter of 2005 relative to 2004.

Overall, the oil and gas service industry will benefit from the pricing leverage established from third quarter activity. Accordingly, increased pricing for the winter season will take effect in the fourth quarter.

All operating divisions reported significant revenue increases year over year. Well Servicing's 25% increase was somewhat lower than Contract Drilling's 43% increase due to the natural time lag between drilling and completing wells.

Operating costs were lower as a percentage of revenue despite crew wage increases that were implemented in the fourth quarter of 2004. Operating expenses declined from 58% of revenue in the third quarter of 2004 to 53% in 2005. Equipment repair and maintenance expenditures were lower on a per day basis as scheduled expenditures were spread over a higher activity level relative to last year. In addition, operating expenses have not increased as much as customer pricing.

General and administrative costs for the third quarter were slightly higher

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

than the same period in 2004. As a percentage of revenue, general and administrative costs fell to 5.5% from 6.4 %. General and administrative costs should further decline as the corporate function continues to be sized to meet the needs of Precision's smaller business organization.

Depreciation expense remained relatively consistent as the impact of increased activity was offset by the change in the estimated useful life of drilling rigs from 4,150 to 5,000 utilization days effective January 1, 2005.

PRECISION DRILLING CORPORATION - 3 - THIRD QUARTER INTERIM REPORT

LIQUIDITY AND CAPITAL RESOURCES

The Corporation had cash and cash equivalents of \$1.585 billion as at September 30, 2005. The cash resources have been generated from the operations of the Corporation plus the cash proceeds from the sale of the Energy Services and International Contract Drilling divisions and CEDA. A portion of the cash was utilized to fund the redemption of 100% of the Corporation's outstanding public debt on October 17, 2005, for a total cost of approximately \$767 million. The balance of the cash resources will be utilized to fund most of the cash distribution of \$850 million to occur upon the completion of the proposed reorganization into a trust. The balance of the \$850 million cash payment, plus cash costs related to the trust conversion, the net cash payments required on purchase of vested stock options and the working capital needs of the Trust will be funded by a new credit facility. The Corporation has obtained a \$550 million, three year committed revolving facility, from a syndicate of Canadian financial institutions which will be sufficient to fund the above noted costs plus capital expenditures. During October 2005, the Corporation issued 459,650 shares on the exercise of stock options.

QUARTERLY FINANCIAL SUMMARY

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

	2004		2005
Quarters ended	December 31	MARCH 31	JUNE 30
Revenue	313,978	383,407	157,895
Operating earnings (1)	113,879	153,020	24,505
Earnings from continuing operations	60,582	88,281	9,308
Per share	0.49	0.71	0.07
Net earnings	88,183	138,518	25,851
Per share	0.71	1.11	0.21
Funds provided by (used in) continuing operations	114,628	122,075	27,973

	2003		2004
Quarters ended	December 31	March 31	June 30
Revenue	263,907	361,524	134,963
Operating earnings (1)	88,729	131,570	24,065
Earnings from continuing operations	42,486	80,427	10,127
Per share	0.38	0.71	0.09
Net earnings	52,958	100,519	15,995

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

Per share	0.48	0.89	0.14
Funds provided by continuing operations	86,522	129,506	11,038

(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.

PRECISION DRILLING CORPORATION - 4 - THIRD QUARTER INTERIM REPORT

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS INTERIM REPORT, INCLUDING STATEMENTS RELATED TO OUR PROPOSED REORGANIZATION AND THE WEATHERFORD SHARES, AND STATEMENTS THAT 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, AND ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO STATEMENTS AS TO: OUR EXAMINATION OF AVAILABLE STRATEGIC ALTERNATIVES FOR OUR CONTINUING BUSINESS, THE CORPORATION'S MARKET SHARE AND POSITION IN THE DOMESTIC DRILLING MARKET; ANTICIPATED REDUCTIONS IN OUR GENERAL AND ADMINISTRATIVE EXPENSES AND OTHER SUCH MATTERS.

THESE STATEMENTS ARE BASED ON CERTAIN ASSUMPTIONS AND ANALYSIS MADE BY THE CORPORATION IN LIGHT OF ITS EXPERIENCE AND ITS PERCEPTION OF HISTORICAL TRENDS, CURRENT CONDITIONS AND EXPECTED FUTURE DEVELOPMENTS AS WELL AS OTHER FACTORS IT BELIEVES ARE APPROPRIATE IN THE CIRCUMSTANCES. HOWEVER, WHETHER ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS WILL CONFORM WITH THE CORPORATION'S EXPECTATIONS AND PREDICTIONS IS SUBJECT TO A NUMBER OF KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE CORPORATION'S EXPECTATIONS, INCLUDING: FLUCTUATIONS IN THE PRICE AND DEMAND OF OIL AND GAS; FLUCTUATIONS IN THE LEVEL OF OIL AND GAS EXPLORATION AND DEVELOPMENT ACTIVITIES; FLUCTUATIONS IN THE DEMAND FOR WELL SERVICING, CONTRACT DRILLING AND ANCILLARY OILFIELD SERVICES; THE EXISTENCE OF COMPETITORS, TECHNOLOGICAL CHANGES AND DEVELOPMENTS IN THE OIL AND GAS INDUSTRY; THE ABILITY OF OIL AND GAS COMPANIES TO RAISE CAPITAL; THE EFFECTS OF SEVERE WEATHER CONDITIONS ON OPERATIONS AND FACILITIES; THE EXISTENCE OF OPERATING RISKS INHERENT IN WELL SERVICING, CONTRACT DRILLING AND ANCILLARY OILFIELD SERVICES; IDENTIFYING AND ACQUIRING SUITABLE ACQUISITION TARGETS ON REASONABLE TERMS; GENERAL ECONOMIC, MARKET OR BUSINESS CONDITIONS, INCLUDING STOCK MARKET VOLATILITY; CHANGES IN LAWS OR REGULATIONS, INCLUDING TAXATION, ENVIRONMENTAL AND CURRENCY REGULATIONS; THE LACK OF AVAILABILITY OF QUALIFIED PERSONNEL OR MANAGEMENT; AND OTHER UNFORESEEN CONDITIONS WHICH COULD IMPACT ON THE USE OF SERVICES SUPPLIED BY THE CORPORATION.

CONSEQUENTLY, ALL OF THE FORWARD-LOOKING STATEMENTS MADE IN THIS REPORT ARE QUALIFIED BY THESE CAUTIONARY STATEMENTS AND THERE CAN BE NO ASSURANCE THAT THE ACTUAL RESULTS OR DEVELOPMENTS ANTICIPATED BY THE CORPORATION WILL BE REALIZED

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

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.

PRECISION DRILLING CORPORATION - 5 - THIRD QUARTER INTERIM REPORT

CONSOLIDATED BALANCE SHEETS

(STATED IN THOUSANDS OF DOLLARS)	SEPTEMBER 30, 2005
	(unaudited)
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,585,247
Marketable securities, at lower of cost or market (Note 4)	2,072,749
Accounts receivable	356,335
Inventory	6,603
Other assets	7,742
Assets of discontinued operations (Note 5)	--
	4,028,676
Property, plant and equipment, net of accumulated depreciation	925,112
Intangibles, net of accumulated amortization	487
Goodwill	266,827
Other assets	--
Assets of discontinued operations (Note 5)	--
	\$ 5,221,102
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 153,240
Income taxes payable	161,705
Current portion of long-term debt (Note 6)	765,133
Liabilities of discontinued operations (Note 5)	--
	1,080,078
Long-term debt	--
Future income tax liability	212,167
Liabilities of discontinued operations (Note 5)	--
Shareholders' equity:	
Share capital (Note 7)	1,323,709
Contributed surplus (Note 7)	35,189
Cumulative translation adjustment	--
Retained earnings	2,569,959
	3,928,857
Contingency (Note 8)	--
	\$ 5,221,102

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

PRECISION DRILLING CORPORATION

- 6 -

THIRD QUARTER INTERIM REPORT

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
(UNAUDITED)

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

THREE MONTHS ENDED
2005

SEPTEMBER 30,
2004

NINE MONTH

	THREE MONTHS ENDED 2005	SEPTEMBER 30, 2004	NINE MONTH
Revenue	\$ 300,016	\$ 218,023	\$ 8
Expenses:			
Operating	158,581	127,109	4
General and administrative	16,486	13,942	
Depreciation and amortization	18,923	17,488	
Foreign exchange	(5,930)	(2,315)	
	188,060	156,224	5
Operating earnings	111,956	61,799	2
Interest:			
Long-term	11,971	13,107	
Other	39	10	
Income	(4,784)	(165)	
Premium on redemption of bonds	65,483	--	
Unrealized loss in market value of short-term investments	20,262	--	
Gain on disposal of investments	--	(2,532)	
Earnings from continuing operations before income taxes	18,985	51,379	1
Income taxes:			
Current	171,612	10,978	2
Future	(155,009)	3,406	(1
	16,603	14,384	
Earnings from continuing operations	2,382	36,995	
Discontinued operations, net of tax (Note 5)	1,380,266	5,712	1,4
Net earnings	1,382,648	42,707	1,5
Retained earnings, beginning of period	1,206,052	910,793	1,0
Adjustment on cash purchase of employee stock options, net of tax of \$ 9,823	(18,741)	--	(
Retained earnings, end of period	\$ 2,569,959	\$ 953,500	\$ 2,5
Earnings per share from continuing operations:			
Basic	\$ 0.02	\$ 0.31	\$
Diluted	\$ 0.02	\$ 0.31	\$

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

Earnings per share:				
Basic	\$	11.22	\$	0.36
Diluted	\$	11.00	\$	0.36

Common shares outstanding (000's)	123,883	121,346	1
Weighted average shares outstanding (000's)	123,285	118,308	1
Diluted shares outstanding (000's)	125,686	119,816	1

PRECISION DRILLING CORPORATION - 7 - THIRD QUARTER INTERIM REPORT

CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

(STATED IN THOUSANDS OF DOLLARS)

	THREE MONTHS ENDED 2005	SEPTEMBER 30, 2004	NINE MONTHS 2004
--	----------------------------	-----------------------	---------------------

Cash provided by (used in):

Continuing operations:			
Earnings from continuing operations	\$	2,382	\$ 36,995
Items not affecting cash:			
Stock-based compensation		1,812	2,619
Depreciation and amortization		18,923	17,488
Gain on disposal of investments		--	(2,532)
Premium on redemption of bonds		65,483	--
Unrealized loss in market value of short-term investments		20,262	--
Future income taxes		(155,009)	3,406
Amortization of deferred financing costs		457	465
Unrealized foreign exchange gain on long-term monetary items		(9,057)	(1,964)
Funds provided by (used in) continuing operations		(54,747)	56,477
Changes in non-cash working capital balances		106,929	(34,941)
Discontinued operations:			
Funds provided by discontinued operations (Note 5)		52,182	21,536
Changes in non-cash working capital balances of discontinued operations		53,330	48,516
		(21,286)	(30,958)
Investments:			
Business acquisitions, net of cash acquired		32,044	17,558
Purchase of property, plant and equipment		(30,421)	(1,160)
Purchase of intangibles		(77,155)	(83,629)
Proceeds on sale of property,		--	(314)

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

plant and equipment	8,941	13,371	
Proceeds on disposal of investments	--	5,829	
Proceeds on disposal of discontinued operations	1,306,280	8,553	1,3
Investments	--	1,340	
	1,207,645	(56,010)	1,0
Financing:			
Increase in long-term debt	--	--	
Repayment of long-term debt	(3)	(161,994)	
Deferred financing costs on long-term debt	--	(627)	
Issuance of common shares on exercise of options	15,405	13,584	
Issuance of common shares, net of costs	--	276,455	
Purchase of employee stock options	(28,564)	--	
Change in bank indebtedness	--	(71,795)	
	(13,162)	55,623	
Increase in cash and cash equivalents	1,278,709	38,707	1,4
Cash and cash equivalents, beginning of period	306,538	40,715	1
Cash and cash equivalents, end of period	\$ 1,585,247	\$ 79,422	\$ 1,5

PRECISION DRILLING CORPORATION

- 8 -

THIRD QUARTER INTERIM REPORT

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 amended consolidated 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 Canadian generally accepted accounting principles 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 amended consolidated financial statements for the year ended December 31, 2004.

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

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

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 prospectively and resulted in \$ 3.0 million reduction of depreciation expense for the three months ended and a \$ 7.2 million reduction for the nine months ended September 30, 2005.

4. MARKETABLE SECURITIES

Marketable securities consists of 26 million common shares of Weatherford International Ltd. ("Weatherford") received as partial proceeds on the sale of the Energy Services and International Contract Drilling divisions. The market value of these securities was \$2,072.7 million at September 30, 2005 and \$1,899.8 million at October 25, 2005.

5. DISPOSAL OF DISCONTINUED OPERATIONS

On August 31, 2005, the Corporation sold its Energy Services and International Contract Drilling divisions to Weatherford for proceeds of approximately \$1.13 billion and 26 million common shares of Weatherford, valued at \$2.09 billion. In addition, on September 13, 2005 and effective August 31, 2005, the Corporation completed the sale of its industrial plant maintenance business carried on by CEDA International Corporation ("CEDA") to Borealis Investments Inc., an investment entity of the Ontario Municipal Employees Retirement System, for proceeds of approximately \$274 million. Included in the CEDA proceeds was \$26.8 million for the purchase of CASCA Electric Ltd. and CASCA Tech Inc., a transaction undertaken by CEDA on July 29, 2005. The Energy Services, International Contract Drilling and CEDA assets were included in the Energy Services, Contract Drilling and Rental and Production segments respectively and were disposed in accordance with an extensive process undertaken by the Corporation's Board of Directors to investigate avenues of value creation for the Corporation's

PRECISION DRILLING CORPORATION

- 9 -

THIRD QUARTER INTERIM REPORT

shareholders. The proceeds received in both transactions are subject to adjustment based on changes in working capital and net property, plant and equipment from December 31, 2004 to the effective date of the disposal. An estimate has been recorded for these adjustments, however, the final amount is to be agreed upon by the parties to the purchase and sale agreements and such final amount could differ from the amount recorded.

On February 12, 2004, the Corporation sold substantially all of the assets of Fleet Cementers Inc. for proceeds of \$25.7 million. On May 7, 2004, the Corporation sold the assets of the Polar Completions division for proceeds of \$15.0 million, subject to working capital adjustments. On August 31, 2004, the Corporation sold its 65% interest in United Diamond Ltd. for proceeds of \$8.5 million. Additional proceeds in the amount of up to \$9.5 million are receivable with respect to the sale of United Diamond Ltd., contingent upon the extent of future business undertaken between the Corporation and United Diamond Ltd. No portion of the \$9.5 million of contingent proceeds has been recognized. These assets were included in the Energy Services segment and were disposed of as they were not a core component to the Corporation's energy services globalization strategy.

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

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

	THREE MONTHS ENDED 2005	SEPTEMBER 30, 2004	NINE MONTHS ENDED 2005
<hr style="border-top: 1px dashed black;"/>			
Revenue			
Energy Services	\$ 190,554	223,161	689,319
International Contract Drilling	54,098	91,039	204,987
Industrial plant maintenance	38,530	43,480	149,371
	<hr style="border-top: 1px dashed black;"/>		
	\$ 283,182	357,680	1,043,677
<hr style="border-top: 1px dashed black;"/>			
Loss on disposal of Fleet Cementers' assets	--	(14)	--
Loss on disposal of United Diamond	--	(254)	--
Gain on disposal of Energy Services and International Contract Drilling	1,261,536	--	1,261,536
Gain on disposal of Industrial plant maintenance	123,458	--	123,458
	<hr style="border-top: 1px dashed black;"/>		
	\$ 1,384,994	(268)	1,384,994
<hr style="border-top: 1px dashed black;"/>			
Results of operations before income taxes			
Energy Services	22,023	8,057	78,282
International Contract Drilling	9,566	12,270	39,496
Industrial plant maintenance	2,911	5,451	18,135
Other	(25,185)	(8,686)	(33,981)
Writedown of assets held for sale	--	--	--
	<hr style="border-top: 1px dashed black;"/>		
Income tax expense	9,315	17,092	101,932
	14,043	9,718	39,880
<hr style="border-top: 1px dashed black;"/>			
Results of operations, before non-controlling interest	(4,728)	7,374	62,052
Non-controlling interest	--	1,394	--
	<hr style="border-top: 1px dashed black;"/>		
	(4,728)	5,980	62,052
<hr style="border-top: 1px dashed black;"/>			
Discontinued operations	\$ 1,380,266	5,712	1,447,046

PRECISION DRILLING CORPORATION

- 10 -

THIRD QUARTER INTERIM REPORT

The following table provides additional information with respect to amounts included in the balance sheet as assets/liabilities of discontinued operations:

	2005
<hr style="border-top: 1px dashed black;"/>	
Accounts receivable	--
Inventory	--

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

Future income tax asset	--
-----	-----
-----	-----
Capital assets	--
Intangibles	--
Goodwill	--
Future income tax asset	--
-----	-----
-----	-----
Accounts payable	--
Income taxes payable	--
Future income tax liability	--
Other	--
-----	-----
-----	-----
Future income tax liability	--
Other	--
-----	-----
-----	-----

The following table provides additional information with respect to amounts included in the cash flow statement as funds provided by discontinued operations:

	THREE MONTHS ENDED 2005	SEPTEMBER 30, 2004	NINE MONTHS END 2004
Net earnings of discontinued operations	1,380,266	5,712	1,447,000
Items not affecting cash:			
Loss (gain) on disposal of discontinued operations	(1,384,994)	268	(1,384,994)
Stock-based compensation	6,164	3,467	10,100
Depreciation and amortization	22,439	35,332	95,700
Non-controlling interest	--	1,394	--
Writedown of assets of discontinued operations	--	--	--
Future income taxes	(25)	(101)	(1,700)
Realization of cumulative translation adjustments	24,828	--	24,800
Unrealized foreign exchange loss on long-term monetary items	4,652	2,444	4,800
Funds provided by discontinued operations	53,330	48,516	195,800

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

6. LONG TERM DEBT

During the third quarter of 2005, Precision provided irrevocable redemption notices for the repayment of all its outstanding debentures and on October 17, 2005 paid \$766.7 million to fulfill this obligation. The redemption price of the debentures varied with market interest rates and the Canadian / U.S. exchange rate. On September 20, 2005, the Corporation hedged 50% of its exposure to these variables. The redemption price of the debentures and the value of the contracts used to hedge the exposure to variations in that value are included in the September 30, 2005 balance sheet at fair market value, amounting to \$765.1 million in aggregate. The fair market value of these items was \$766.7 million on October 17 and the \$1.6 million difference between the September 30 value and the October 17 value will be charged to income in the fourth quarter.

Also during the third quarter of 2005, the Corporation cancelled its undrawn \$335 million revolving bank credit facility. Commitments have been received from a syndicate of Canadian financial institutions for a new \$550 million revolving facility, which will be in place in early November 2005.

7. SHARE CAPITAL

(a) ISSUED

Common Shares:	Number

Balance, December 31, 2004	60,790,212
Options exercised - cash consideration	578,346
reclassification from contributed surplus	--

Balance, May 18, 2005	61,368,558
Issued on 2:1 stock split	61,368,558
Options exercised - cash consideration	1,145,960
reclassification from contributed surplus	--

BALANCE, SEPTEMBER 30, 2005	123,883,076

ON MAY 18, 2005 THE CORPORATION SPLIT ITS OUTSTANDING COMMON SHARES ON A TWO FOR ONE BASIS.

(b) CONTRIBUTED SURPLUS

Balance, December 31, 2004	
Stock-based compensation expense	
Reclassification to common shares on exercise of options	

BALANCE, SEPTEMBER 30, 2005	

(c) EQUITY INCENTIVE PLANS

	Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price

Outstanding at December 31, 2004	6,695,120	\$ 15.53 - 36.32	\$ 27.44

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

Granted	696,200	37.76 - 48.29	41.42
Exercised	(2,302,652)	15.53 - 48.29	25.30
Cancelled	(141,650)	15.53 - 31.87	30.26
Purchased	(1,025,918)	15.53 - 45.25	31.19
<hr style="border-top: 1px dashed black;"/>			
OUTSTANDING AT SEPTEMBER 30, 2005	3,921,100	\$ 15.53 - 48.29	\$ 30.09
<hr style="border-top: 1px dashed black;"/>			

PRECISION DRILLING CORPORATION - 12 - THIRD QUARTER INTERIM REPORT

8. CONTINGENCY

The business and operations of Precision have been complex and the Corporation has executed a number of significant financings, business combinations, acquisitions and dispositions over the course of its history. The computation of income taxes payable as a result of these transactions, and in particular those completed within the last five years, involves many complex factors as well as Precision's interpretation of relevant tax legislation and regulations. Precision's management believes that the provision for income tax is adequate and in accordance with Canadian generally accepted accounting principles and applicable legislation and regulations. However, there are a number of tax filing positions that can still be the subject of review by taxation authorities who may successfully challenge Precision's interpretation of the applicable tax legislation and regulations, with the result that additional taxes could be payable by Precision and the amount payable could be up to \$300 million.

9. SUBSEQUENT EVENT

In September, the Corporation announced its intentions to reorganize its remaining operations and holdings into an income trust and on October 4 the associated Notice of Special Meeting of Securityholders and Information Circular was mailed to securityholders. The special meeting to consider the conversion took place on October 31, 2005, with the actual conversion anticipated to take place on or about November 7, 2005.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of third quarter ended September 30, 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 specified in the Securities and Exchange Commission rules and forms.

During the third quarter ending September 30, 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

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

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

- 13 -

THIRD QUARTER INTERIM REPORT

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

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

Jan M. Campbell
CORPORATE SECRETARY

PRECISION DRILLING CORPORATION

- 14 -

THIRD QUARTER INTERIM REPORT

HEAD OFFICE
PRECISION DRILLING CORPORATION

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

4200, 150-6th Avenue S.W.
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.

TRADING PROFILE
TORONTO (TSX:PD)
July 1, 2005 to
September 30, 2005
High: \$60.98
Low: \$46.31
Volume traded: 63.1 million

NEW YORK (NYSE:PDS)
July 1, 2005 to
September 30, 2005
High: US \$51.72
Low: US \$38.08
Volume traded: 48.2 million

PRECISION DRILLING CORPORATION - 15 - THIRD QUARTER INTERIM REPORT

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:

- CHANGE OF ADDRESS
- LOST SHARE CERTIFICATES

Edgar Filing: PRECISION DRILLING TRUST - Form 6-K

- TRANSFER OF STOCK TO ANOTHER PERSON
- ESTATE SETTLEMENT

You can call our Transfer Agent toll free at: 1-888-267-6555

You can write to them at: COMPUTERSHARE TRUST COMPANY OF CANADA
100 University Avenue
9th Floor
Toronto, Ontario M5J 2Y1

Or you can email them at: caregistryinfo@computershare.com

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

ONLINE INFORMATION

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

ESTIMATED RELEASE DATES FOR FINANCIAL RESULTS

2005 Fourth Quarter - February 9, 2006

PRECISION DRILLING CORPORATION
4200, 150 - 6th AVE SW, Calgary, Alberta, Canada T2P 3Y7
T 403 716 4500 F 403 264 0251 www.precisiondrilling.com

PRECISION DRILLING CORPORATION

- 16 -

THIRD QUARTER INTERIM REPORT