



Should Investors Worry that Rig Counts in Canada Plunged?

Description

When **Halliburton** ([NYSE: HAL](#)) reported its second quarter earnings this week, the company noted its results in North America were as expected. The company was able to see its revenue rise by 3%, despite what it called “sluggish” U.S. land rig count and a 71% drop-off in Canadian rigs, which is the lowest level in four years. Should that number worry Canadian energy investors?

Behind the numbers

First, investors need to realize that much of that headline number has to do with a seasonal reduction in activity in the country. It gets pretty tough for oil and gas companies to operate in Canada in the spring. In addition to that, severe flooding this past June didn't help. In fact, the flooding alone shaved two cents per share off rival **Baker Hughes** (NYSE: BHI) earnings on the quarter.

What's more important for investors is to see what Halliburton and its peers expect from the country in the future. This is where the good news comes into play as Halliburton does see a seasonal rebound in the country. That sentiment is also echoed by Baker Hughes, which sees the average rig count increasing to 335 rigs in the third quarter and jumping to 375 rigs by the fourth quarter. This is actually better than last year's count and ahead of Baker Hughes previous guidance.

Looking ahead

These rig count numbers are important for investors to keep in mind when **Precision Drilling** ([TSX: PD](#)) ([NYSE: PDS](#)) reports its earnings on July 25. As the largest drilling contractor in the country with a fleet of more than 200 drilling rigs, the company will really feel the weight of last quarter's plunging rig counts as well the impact of the flooding. However, that also means Precision will really benefit from that second half rally.

Looking further ahead, Precision sees very strong long-term fundamentals in its home market. This is driven by unconventional oil production growth, with lots of upside potential as the country moves toward LNG exports, which will spur demand for natural gas drilling rigs. With one of the top fleets in the industry, Precision will take its share of that business.

Final Foolish thoughts

While Wall Street focuses on the short-term numbers, such as the two pennies that the floods in Canada cost Baker Hughes, it's much more important to focus on the long-term health of a business. In this case, the numbers suggest that rig counts in Canada are heading much higher in the future. That trend could really boost Precision's results over the long-term as half of the company's revenue comes from Canada.

Canada really is developing into one of the world's most important energy producers. While oil and natural gas get a lot of the press, one area investors should take a closer look at is the country's key position in uranium – the key ingredient for nuclear power. That's why The Motley Fool has prepared a Special **FREE** Report that will clue you into the two best uranium companies in Canada. It's called "[Fuel Your Portfolio With This Energetic Commodity](#)," and you can receive a copy at no charge by simply [clicking here!](#)

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1. Investing

TICKERS GLOBAL

1. NYSE:HAL (Halliburton Company)
2. TSX:PD (Precision Drilling Corporation)

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Date

2025/08/26

Date Created

2013/07/25

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