

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **December 28, 2005**

CONTINENTAL AIRLINES, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation)

1-10323

(Commission File Number)

74-2099724

(IRS Employer Identification No.)

1600 Smith Street, Dept. HQSEO, Houston, Texas

(Address of Principal Executive Offices)

77002

(Zip Code)

(713) 324-2950

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

<input type="checkbox"/>	Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
<input type="checkbox"/>	Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
<input type="checkbox"/>	Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
<input type="checkbox"/>	Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

On December 28, 2005, we notified ExpressJet Airlines, Inc. ("ExpressJet"), our exclusive regional jet service provider, that effective December 28, 2006, we will begin the withdrawal of 25% of the regional jets, or 69 of 274 aircraft, under the Amended and Restated Capacity Purchase Agreement, dated April 17, 2002, as amended, among Continental Airlines, Inc. (the "Company"), ExpressJet, ExpressJet Holdings, Inc. and XJT Holdings, Inc. (the "Agreement").

Although we have been in discussions with XJT to restructure the Agreement to lower our cost of regional jet services, and to extend the Agreement in light of those lower costs, we were not able to agree on the terms of a restructured agreement. We have provided this notice of withdrawal in order to permit us to have a portion of our regional jet capacity needs operated by a new and lower-cost operator. We will commence a process to solicit proposals from numerous regional jet operators to replace the withdrawn capacity. As required by the Agreement, we have also provided ExpressJet with an aircraft withdrawal schedule, which provides that the first regional aircraft will be withdrawn in December 2006 and the last regional aircraft will be withdrawn in the second quarter of 2007.

ExpressJet can continue to sublease from us any of the withdrawn aircraft, although at significantly increased lease rates. However, ExpressJet cannot operate aircraft into Continental's hubs, except under the Agreement. Should ExpressJet elect to retain aircraft, a new operator may replace those aircraft. ExpressJet has up to nine months to determine whether it will continue to sublease any of the 69 withdrawn aircraft.

Although we anticipate cost savings from transitioning 25% of our regional jet capacity to a new operator, there is no assurance that we will be able to achieve those savings. Additionally, we derive a significant amount of flow traffic and resulting revenue from ExpressJet's operations. The process of transitioning the 69 regional jet aircraft from ExpressJet to a new operator will begin in January 2007, and we expect to complete the transition during the summer of 2007. We could experience degradation in ExpressJet's operational performance as a result of our notice of withdrawal or the actual withdrawal of the aircraft or in the operational performance of the new operator as compared with ExpressJet's historical performance, either of which could have a material adverse effect on our flow traffic, our operations, and the resulting revenue to us, notwithstanding our financial and other remedies under the Agreement with respect to such degradation.

The notice of withdrawal is filed herewith as Exhibit 99.1 and the press release announcing our delivery of the notice to withdraw aircraft under the Agreement is filed herewith as Exhibit 99.2, and each are incorporated herein by reference.

This Current Report on Form 8-K contains forward-looking statements that are not limited to historical facts, but reflect the Company's current beliefs, expectations or intentions regarding future events. All forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. For examples of such risks and uncertainties, please see the risk factors set forth in the Company's 2004 10-K and its other securities filings and any amendments thereto, which identify important matters such as the consequences of its significant financial losses and high leverage, terrorist attacks, domestic and international economic conditions, the significant cost of aircraft fuel, labor costs, competition, and industry conditions, including the demand for air travel, the airline pricing environment and industry capacity decisions, regulatory matters and the seasonal nature of the airline business. In addition to such risks, there can be no assurance that the Company will be able to withdraw the aircraft on the timeframe set forth on the aircraft withdrawal schedule or that the Company will achieve any cost savings a result of the decision to withdraw the aircraft. The Company undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

- 99.1 Notice of Withdrawal
- 99.2 Press Release Announcing Notice of Withdrawal of Aircraft under Capacity Purchase Agreement

SIGNATURE

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

CONTINENTAL AIRLINES, INC.

December 28, 2005

By /s/ Jeff Smisek

Jeff Smisek

President

EXHIBIT INDEX

99.1 Notice of Withdrawal

99.2 Press Release Announcing Notice of Withdrawal of Aircraft under Capacity Purchase Agreement

Mark Erwin Continental Airlines Tel 713 324 5000

Senior Vice President Asia/Pacific and Corporate Development 1600 Smith Street HQSCD Fax 713 324 3075

Telephone: 713-324-8601 Houston TX 77002

Fax: 713-324-3099

E-Mail: Mark.Erwin@coair.com

December 28, 2005

Mr. Jim Ream

Chief Executive Officer

ExpressJet Holdings, Inc.

1600 Smith Street, HQSCE

Houston, TX 77002

Dear Jim:

I'd like to thank you and your team for the time and effort recently spent discussing a modification and extension of the capacity purchase agreement between Continental and ExpressJet to bring it more in line with current market rates. We appreciate the job you and your team do every day to provide clean, safe and reliable regional jet service to our passengers.

When we entered into our agreement with ExpressJet at the beginning of 2001, the rates in the contract reflected market conditions at the time; however, times have changed. As low cost carriers have expanded their service, and as four of the top six network carriers have entered bankruptcy and lowered their costs, the rates that the market will pay for regional jet services are declining rapidly. In addition, the erosion of domestic yields, the introduction of new larger regional jets, and high fuel prices have put immense pressure on airline costs.

We regret that we were unable to reach a long-term agreement at more competitive rates. As you are aware, we have challenged every area of our business and taken painful actions to reduce costs, and we must begin to take action to achieve competitive rates for our regional jet capacity. Accordingly, this letter will serve as notice, pursuant to Section 2.02 of the Amended and Restated Capacity Purchase Agreement, dated April 17, 2002, as amended, among Continental Airlines, Inc., ExpressJet, ExpressJet Holdings, Inc. and XJT Holdings, Inc. (the "Agreement"), of withdrawal of 69 Covered Aircraft from the capacity purchase provisions of the Agreement effective December 28, 2006. The Early Withdrawal Schedule, which specifies the number and type of Covered Aircraft to be withdrawn by month, is attached as required by the Agreement. This action will permit us to be in a position to solicit bids from other operators who could begin to provide regional jet service to us beginning in January, 2007.

We value our relationship with you and your team. We must, however, begin to bring our payments for regional jet capacity in line with the new lower prices dictated by the changed competitive environment.

Sincerely,

cc: Fred Cromer

AC Withdrawal Schedule

<u>Withdrawal Date</u>	<u>AC Withdrawn</u>	<u>XR's</u>	<u>LR's</u>
Thursday, December 28, 2006	2	1	1
Tuesday, January 02, 2007	2	1	1
Tuesday, January 09, 2007	2	1	1
Tuesday, January 16, 2007	2	1	1
Tuesday, January 23, 2007	2	1	1
Tuesday, January 30, 2007	2	1	1
Tuesday, February 06, 2007	3	2	1
Tuesday, February 13, 2007	3	2	1
Tuesday, February 20, 2007	3	2	1
Tuesday, February 27, 2007	3	2	1
Tuesday, March 06, 2007	3	2	1
Tuesday, March 13, 2007	3	2	1
Tuesday, March 20, 2007	3	2	1
Tuesday, March 27, 2007	3	2	1
Tuesday, April 03, 2007	3	2	1
Tuesday, April 10, 2007	3	2	1
Tuesday, April 17, 2007	3	2	1
Tuesday, April 24, 2007	3	2	1
Tuesday, May 01, 2007	3	2	1
Tuesday, May 08, 2007	3	2	1
Tuesday, May 15, 2007	3	2	1
Tuesday, May 22, 2007	3	2	1
Tuesday, May 29, 2007	3	2	1
Tuesday, June 05, 2007	3	2	1
Tuesday, June 12, 2007	<u>3</u>	<u>2</u>	<u>1</u>
Total:	69	44	25



News Release

Contact: Corporate Communications

Houston: 713.324.5080

Email: corpcomm@coair.com

News archive: continental.com/company/news/ **Address:** P.O. Box 4607, Houston, TX 77210-4607

CONTINENTAL AIRLINES TO WITHDRAW 69 AIRCRAFT FROM EXPRESSJET AIRLINES, INC.

HOUSTON, Dec. 28, 2005 - Continental Airlines (NYSE: CAL) today announced that it has given notice it will withdraw 69 of 274 regional jet aircraft from its capacity purchase agreement with ExpressJet Holdings, Inc. (NYSE: XJT) and ExpressJet Airlines, Inc. (ExpressJet). ExpressJet is currently the exclusive operator of regional jet services for Continental Airlines.

Continental will request proposals from numerous regional jet operators to provide regional jet service to replace the withdrawn capacity. The transition of service from ExpressJet to a new operator is expected to begin in January 2007 and be completed during the summer of 2007.

Continental is withdrawing the 69 aircraft under its capacity purchase agreement with ExpressJet, as permitted under that agreement, because Continental believes the rates charged by ExpressJet to Continental for regional capacity are above the current market.

Prior to today's announcement, Continental and ExpressJet attempted to negotiate a more competitive long-term contract, but the parties were unable to reach agreement.

"We didn't want to take this action, but we were not able to reach an agreement with ExpressJet to lower our cost," said Continental's Senior Vice President of Asia/Pacific & Corporate Development Mark Erwin. "Continental will continue to take the difficult actions necessary to remain competitive and protect the jobs and retirement security of our 42,000 employees."

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ExpressJet can continue to sublease from Continental any of the 69 withdrawn aircraft, although at significantly increased lease rates. However, ExpressJet cannot operate any aircraft into Continental's hubs except under its agreement with Continental. Should ExpressJet elect to retain aircraft, those aircraft may be replaced by a new operator. ExpressJet has up to nine months to determine whether it will continue to sublease any of the withdrawn aircraft.

Continental Airlines is the world's sixth-largest airline. Continental, together with Continental Express and Continental Connection, has more than 3,000 daily departures throughout the Americas, Europe and Asia, serving 151 domestic and 133 international destinations, more than any other carrier in the world. More than 400 additional points are served via SkyTeam alliance airlines, which include Aeromexico, Air France, Alitalia, CSA Czech Airlines, Delta Air Lines, KLM, Korean Air and Northwest Airlines. With over 42,000 employees, Continental has hubs serving New York, Houston, Cleveland and Guam, and together with Continental Express, carries approximately 60 million passengers per year. Continental consistently earns awards and critical acclaim for both its operation and its corporate culture.

For the second consecutive year, *FORTUNE* magazine named Continental the No. 1 Most Admired Global Airline on its 2005 list of Most Admired Global Companies. Continental was also included in the publication's annual "Top 50" list, which ranks all companies, across a wide variety of industries, that appear in the Global Most Admired Companies issue. Continental again won major awards at the 2005 OAG Airline of the Year Awards including "Airline of the Year" and "Best Airline Based in North America" for the second consecutive year, and "Best Executive/Business Class" for the third consecutive year. For more company information, visit continental.com.

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