

VALERO ENERGY CORP/TX

Form 4

October 24, 2006

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
GREEHEY WILLIAM E

2. Issuer Name and Ticker or Trading Symbol
VALERO ENERGY CORP/TX
[VLO]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
10/20/2006

Director 10% Owner
 Officer (give title below) Other (specify below)

P.O. BOX 696000

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person
 Form filed by More than One Reporting Person

SAN ANTONIO, TX 78269-6000

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)	
			Code	V	Amount or Price			
Common Stock, \$.01 par value	10/20/2006		M		24,044 (1)	A	\$ 0 3,855,475	D
Common Stock, \$.01 par value	10/20/2006		D		24,044 (1)	D	\$ 52.4 3,831,431	D
Common Stock, \$.01 par value	10/23/2006		M		92,234 (1)	A	\$ 0 3,923,665	D
Common Stock, \$.01	10/23/2006		D		92,234 (1)	D	\$ 51.57 3,831,431	D

par value

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount or Number of Shares	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
phantom stock	(2)	10/20/2006		M	24,044	10/20/2006 10/20/2006	Common Stock	24,044	
phantom stock	(2)	10/23/2006		M	92,234	10/23/2006 10/23/2006	Common Stock	92,234	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GREEHEY WILLIAM E P.O. BOX 696000 SAN ANTONIO, TX 78269-6000			X	

Signatures

J. Stephen Gilbert, as Attorney-in-Fact for William E. Greehey 10/24/2006

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The reporting person did not purchase or sell any shares of common stock in the settlement of this award. Although the reporting person's phantom stock could be settled only in cash, the SEC has nevertheless taken the position that the cash settlement of phantom stock is reportable on Form 4 in both Table II (as a disposition of the phantom stock derivative security), and Table I (on two lines) as a deemed acquisition and simultaneous disposition of the underlying stock on which the value of the settlement is based. Accordingly, the amounts shown in Table I are reported solely to comply with the SEC's reporting principles and do not represent actual purchases or sales of shares

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of common stock.

(2) One-for-one conversion. The phantom stock can be settled only in cash.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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