

VALERO ENERGY CORP/TX
Form 4
January 20, 2006

FORM 4

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

OMB APPROVAL

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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 *
KLESSE WILLIAM R

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)
P.O. BOX 696000

(Street)

3. Date of Earliest Transaction (Month/Day/Year)
01/18/2006

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

SAN ANTONIO, TX 78269-6000

(City) (State) (Zip)

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

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 Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) | Price | | |
| Common Stock, \$.01 par value | 01/18/2006 | | M | 27,999 | A \$ 0 | 517,671 | D |
| Common Stock, \$.01 par value | 01/18/2006 | | M | 21,600 | A \$ 0 | 539,271 | D |
| Common Stock, \$.01 par value | 01/18/2006 | | M | 12,000 | A \$ 0 | 551,271 | D |
| Common Stock, \$.01 | 01/18/2006 | | F | 22,451 | D \$ 59.04 | 528,820 ⁽¹⁾ | D |

par value

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

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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 Class of Underlying Securities (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|--|--------|-----|--|-----------------|--|
| | | | | | V | (A) | (D) | Date Exercisable | Expiration Date | |
| performance shares | (2) | 01/19/2006 | | A | | 27,790 | | (2) | 01/19/2009 | common stock |
| performance shares | (3) | 01/18/2006 | | M | | 18,666 | | 01/18/2006 | 01/18/2006 | common stock |
| performance shares | (3) | 01/18/2006 | | M | | 14,400 | | 01/18/2006 | 01/18/2007 | common stock |
| performance shares | (3) | 01/18/2006 | | M | | 8,000 | | 01/18/2006 | 01/18/2008 | common stock |

Reporting Owners

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

Signatures

J. Stephen Gilbert, as Attorney-in-Fact for William R. Klesse
Date: 01/20/2006

__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)

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The 528,820 amount does not include 22,676.1845 shares indirectly owned by the reporting person in a thrift plan. On December 15, 2005, Valero's common stock split 2-for-1, resulting in a 2-for-1 increase in the reported shares beneficially owned by the reporting person.

- (2) Award of performance shares; the performance shares vest annually in one-third increments beginning on the first anniversary of the grant date and are payable in shares of common stock in amounts ranging from zero to 200 percent of the performance shares.
- (3) Settlement of previously awarded performance shares at 150% of base shares.

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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