2007 Deutsche Bank Energy & Utilities Conference

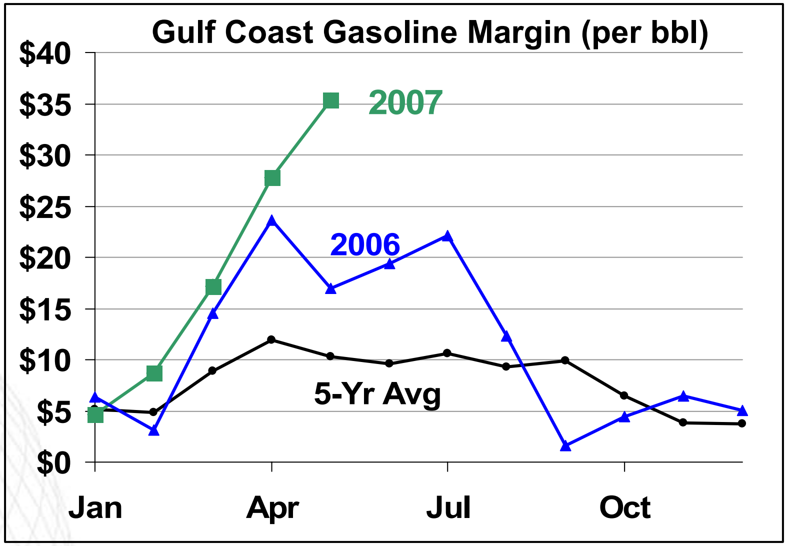
May 30, 2007

VALERO ENERGY CORPORATION

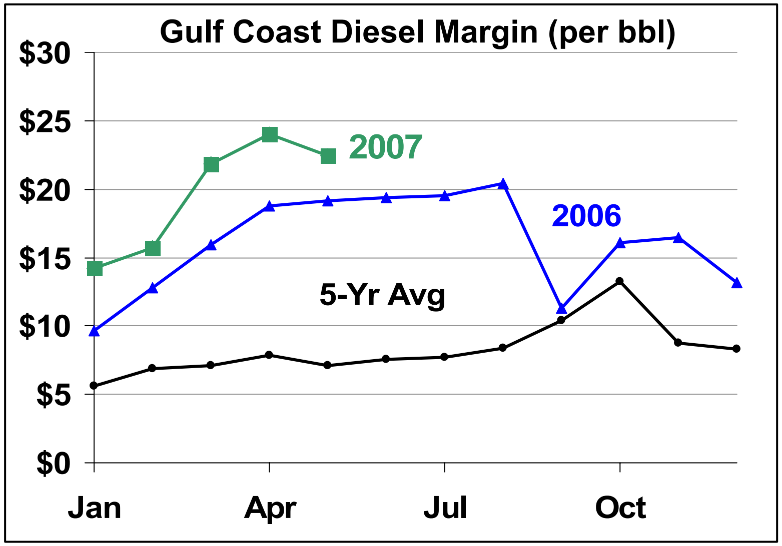
Bill Klesse

Chairman and CEO

2007 Off to a Great Start
Strong Refining Margins



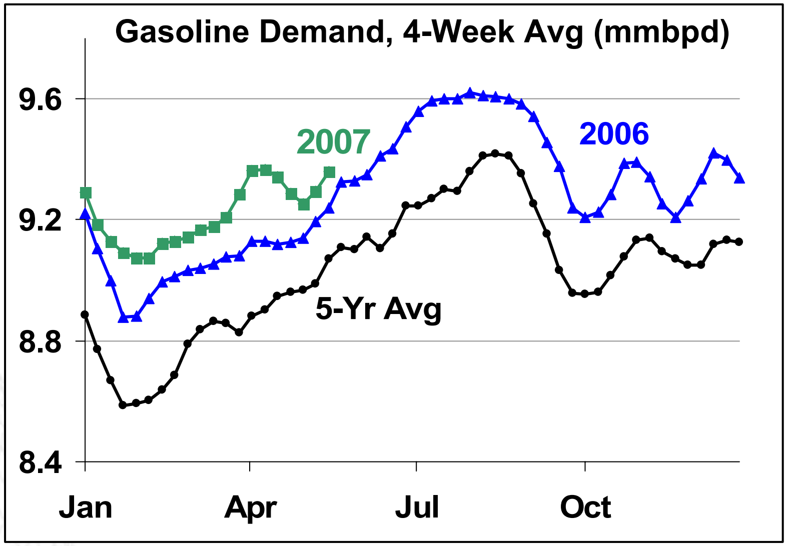
Source: Platts conventional unleaded 87; 2007 data through May 24



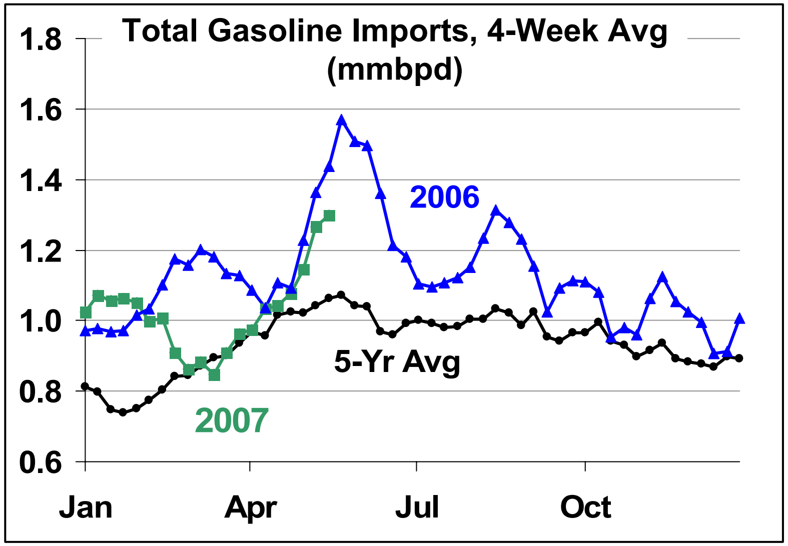
Source: Platts; 2007 data through May 24 ULSD; Prior years data = LSD

- **YTD Gulf Coast gasoline margins 30% higher than YTD 2006**
- **YTD Gulf Coast diesel margins 20% higher than YTD 2006**
- **Forward curve shows 2007 Gulf Coast 3-2-1 crack spread 57% higher than 2006**
  - 2007 = $16.65/bbl
  - 2006 = $10.60/bbl

Gasoline Fundamentals
Bullish Factors Continue



Source: DOE; 2007 data through May 18

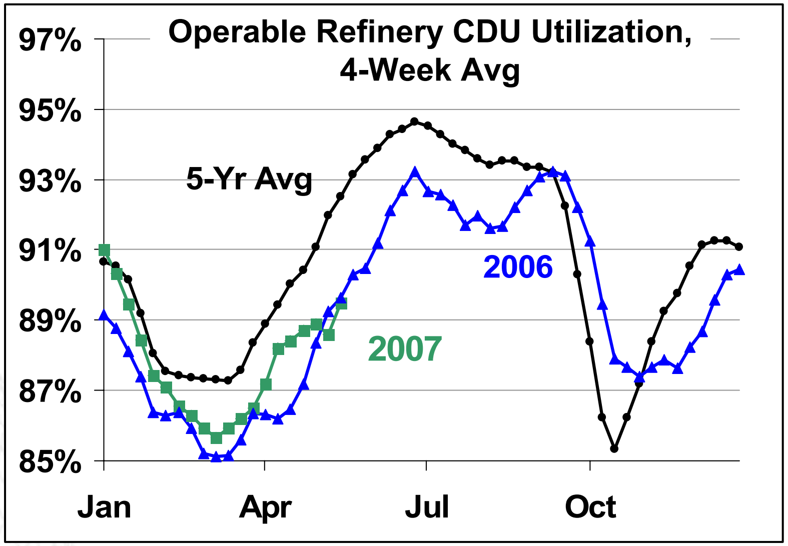


Source: DOE; 2007 statistics through May 18

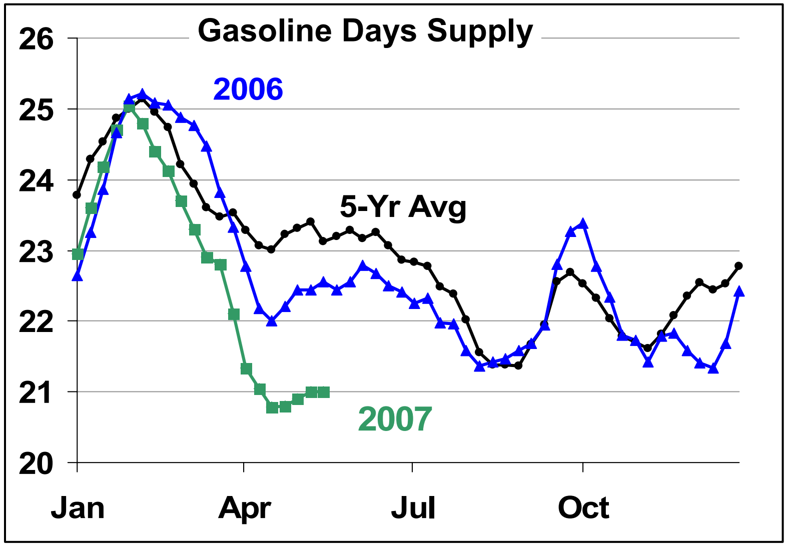
- **Demand at high levels**
  - YTD growth at 1.8% over 2006
- **Strong worldwide economies**
- **High global demand for gasoline and blending components**

- **Total gasoline imports low considering strong margin environment**
  - Imports down 10% YTD over 2006
  - More imports required to meet summer demand
  - High prices necessary to attract sufficient imports

Gasoline Fundamentals
Bullish Factors Continue



Source: DOE; 2007 statistics through May 18

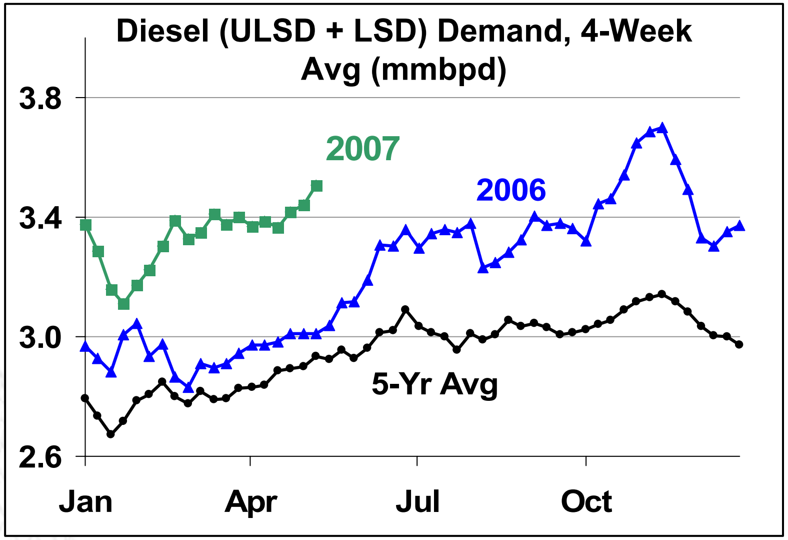


Source: DOE; 2007 statistics through May 18

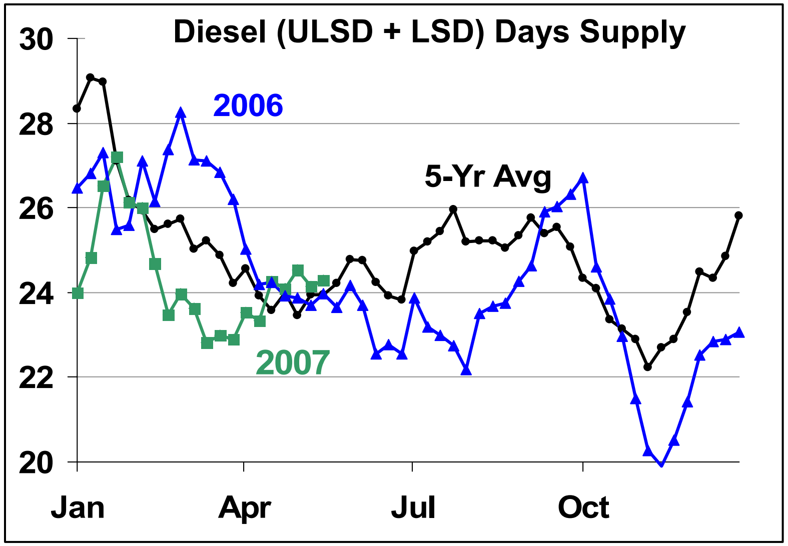
- **Refinery utilization has been relatively low given margins**
  - More stringent specifications
  - More complicated refining operations
  - Tightness in labor and equipment for maintenance activities, delays
  - Unplanned outages
  - Industry-wide emphasis on safety

- **Days of supply far below historical levels**
- **Ethanol not a major factor this summer**
  - Expect blending of ≈ 400 mbpd in 2007, mostly replacing lost MTBE
  - Lack of infrastructure restricts discretionary blending

Distillate Fundamentals
Strong Outlook for Diesel



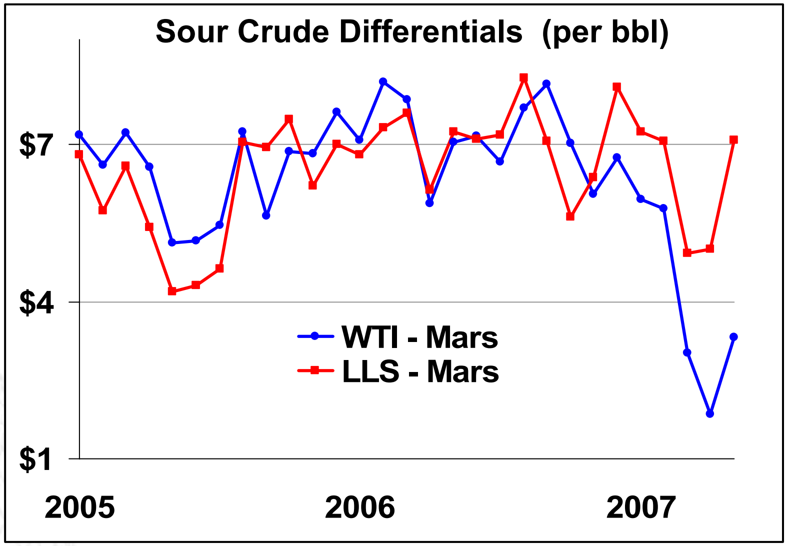
Source: DOE; 2007 data through May 18



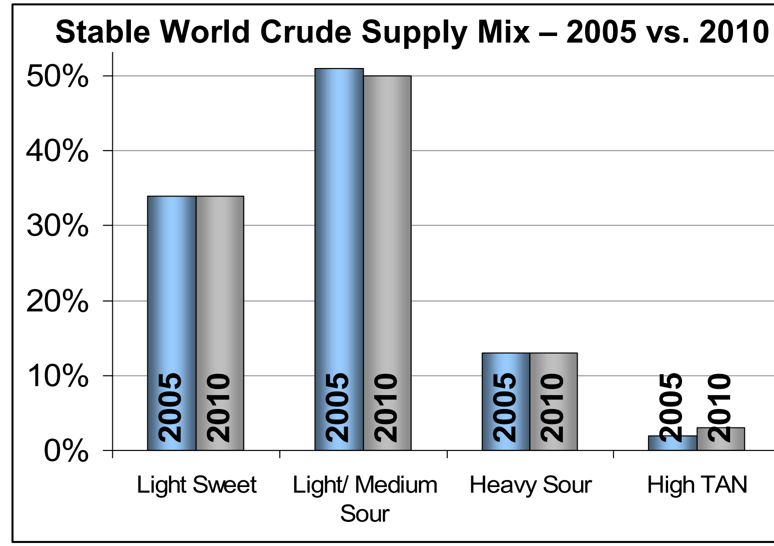
Source: DOE; 2007 statistics through May 18

- **Record demand**
  - YTD total distillates growth 4.7%, YTD diesel (LSD + ULSD) growth 13.1%
- **Key growth drivers**
  - Good economy, colder weather helped high-sulfur demand, early move to low/ultra-low sulfur fuels in some markets, and ULSD's lower miles per gallon
- **Off-road diesel sulfur spec drops from 2,000 ppm to 500 ppm on 6/1/07**

Feedstock Differentials Still Wide



Source: Platts; 2007 data through May 24



Source: Industry reports

- **Feedstock differentials expected to remain wide**
- **Recent Mid-Continent refinery outages affected WTI prices**
  - Oversupply of crude oil in WTI pricing hub of Cushing, OK
  - Crude oil differentials versus WTI still recovering, but much better versus other light-sweet crude oils like Light Louisiana Sweet

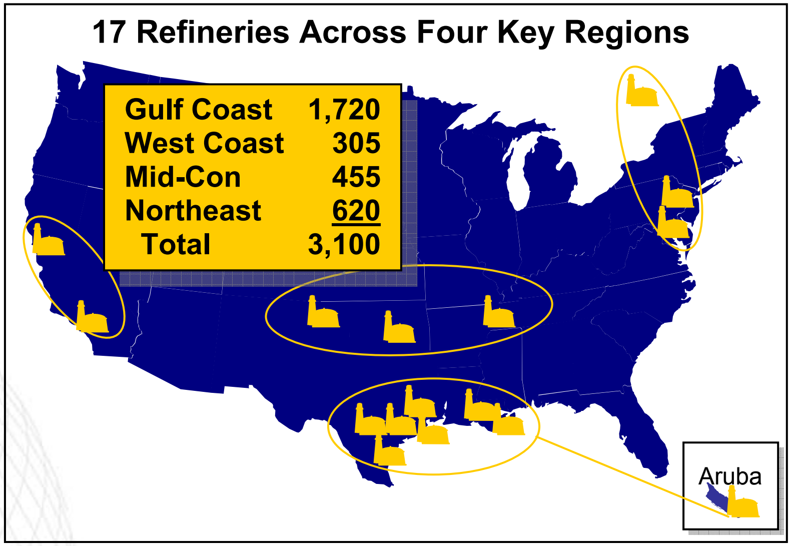
- **Worldwide crude supply mix expected to be stable going forward**
- **Heavy sours hold steady**
- **Near-term significant new production is light sweet crude**
  - But demand for light sweet crude growing rapidly to meet worldwide clean fuels requirements

Industry Trends Constructive for Refining Margins

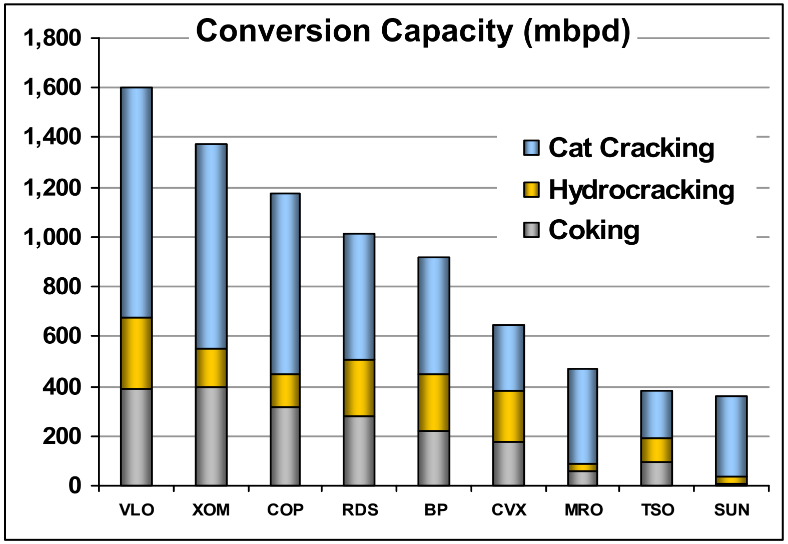
- **World demand growth continues**
  - 2007 estimates 1.6 million barrels per day increase (1.9% growth)
- **Industry refinery expansions and new construction costing much more and taking much longer**
  - Since 2004, prices of steel up 74% and heavy-wall reactors up 133% and lead times longer (heavy-wall reactors 36+ months)
  - Gulf Coast skilled labor costs up 60%, but productivity down 35% from 2004
- **Refineries more complex and units more interdependent than ever**
  - Results in longer turnarounds and maintenance periods
  - Downtime at one unit impacts refinery-wide throughput
- **More stringent regulations reduce system flexibility tremendously**
  - Product specifications and regulations more difficult to meet
  - Reduced ability to blend off-spec products

Result → ***Industry margins to stay higher for longer***

Valero’s Advantages



Throughput capacities in thousand barrels per day; Excludes 165,000 bpd Lima, OH refinery



Source: Company reports; VLO figures exclude Lima, OH refinery

- **3.1 million barrels per day of throughput capacity**
  - Scale helps mitigate affect of specific outages
- **Geographically diverse**
  - Presence in four key regions enables Valero to capture and optimize around regional margin trends
- **High-complexity system and leader in conversion capacity**
  - Enables us to convert more low-quality, discounted feedstocks into high-quality products
- **Refining system designed for feedstock flexibility**
  - Increased variety of heavy sour and resid feedstocks from 27 in 2002 to 40 in 2006

Strategic Focus Has Shifted

- **Aggressive acquisition strategy was the right call over the past decade**
- **Acquisition market has changed**
  - Asset values have risen relative to our valuation and replacement cost
  - Bargains are gone
- **Now time to focus on**
  - Bottom-line growth in EPS and cash flow per share
  - Substantial opportunities to improve operations (Solomon rankings)
  - Strategic projects for organic growth
  - Returning cash to shareholders

GOAL – Become a better positioned, better performing, and more valuable company for the long-term

Valero's Key Initiatives

- **Evaluating all capital projects in light of higher costs and changing markets**
  - Removing or reducing scope on some projects
  - Focusing on value-added, organic growth projects at flagship and niche refineries
- **Targeting at least $1 billion in annual operating income improvements over next 5 years**
  - Energy, reliability, other operating costs
- **Higher performance expectations and more accountability across all lines of business**
  - Restructuring retail business, refinery accounting and procurement
- **Selective portfolio optimization**
  - Some assets in our portfolio more strategic and valuable to others
  - Executed agreement, subject to regulatory approval, to sell Lima, OH refinery to Husky Energy for $1.9 billion plus working capital – expect to close by June 30
- **Balanced approach to allocating cash**

Balanced Approach to Investing Cash

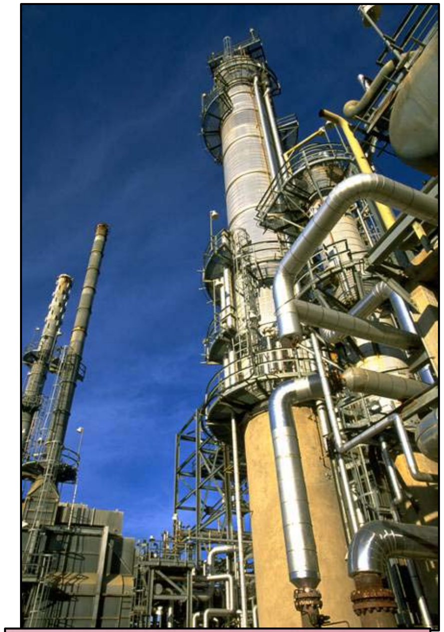
- **Capital expenditures – maintaining $3.5 billion budget for 2007**
- **Dividends – increased twice in 2006 and by 50% already in 2007**
  - Goal is to pay dividends in-line with peer group
- **Stock buybacks**
  - Board approved additional $4 billion share repurchase authorization – total of $6 billion authorized plus anti-dilution
    - $1 billion purchased through April
    - $3 billion purchased under accelerated share repurchase (ASR) program funded by debt
    - Remaining $2 billion to be used for more buybacks in 2007
  - Continue purchases under anti-dilution program
  - By year-end 2007, estimate 85-90 million (14%-15%) share reduction, net of dilution
- **Debt**
  - Paying off callable higher coupon and maturing debt – $465 million in 2007
  - $3 billion ASR bridge loan – will replace most of this with long-term debt
  - Targeting net book debt-to-cap ratio of 25% to 30%

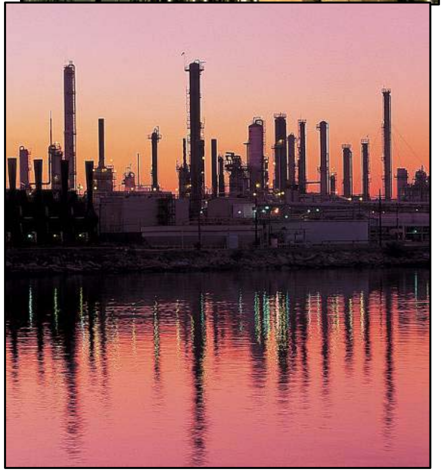
Valero – Best Value in Refining

- **Compelling fundamentals driving strong industry margins**
  - Expect strong margin environment through end of decade
- **Improving returns, growing EPS and cash flow per share through**
  - Operating improvements
  - Organic growth projects
  - Stock buybacks
  - Acquisitions that meet our criteria
- **Doing what we said we'd do –**

Executing to create long-term, sustainable shareholder value

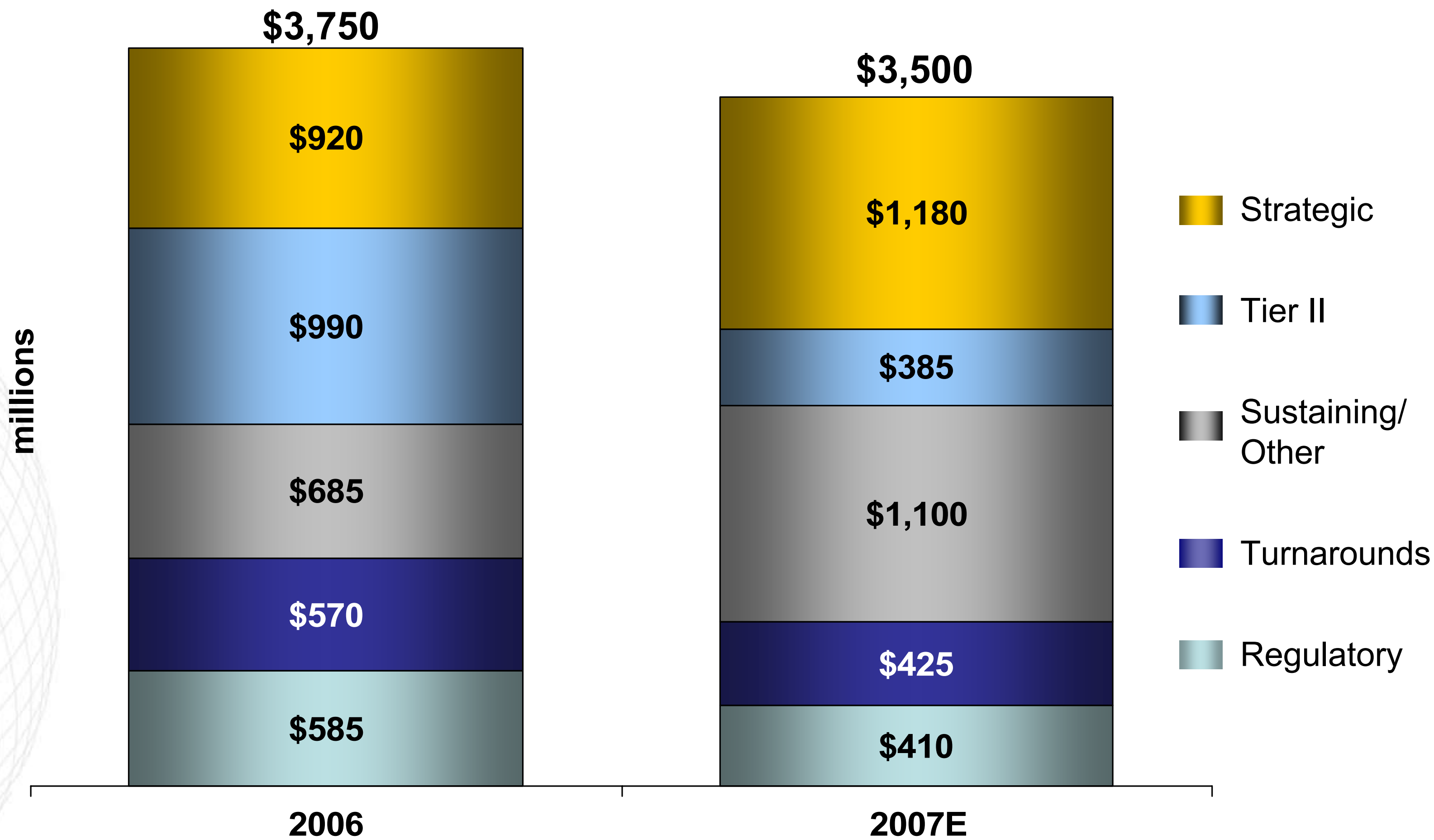
GOAL – Become a better positioned, better performing, and more valuable company for the long-term





Appendix

Capital Expenditures Details



- **Regulatory and Tier II capital spending drops by $780 million from 2006 actual to 2007 budget**

2007 Major Strategic Projects

Refinery	Project	Start Up	Total Cost[1] ($mm)	Annual EBITDA ($mm)	IRR[1]
Port Arthur	Crude Expansion	1Q	$157[2]	$95	40%[2]
Houston	Mild Hydrocracker	2Q	412	28	30%
St. Charles	Mild Hydrocracker	2Q	424	125	31%
Bill Greehey (CC)	Iso-Octene unit	2Q	77	30	26%
Benicia	ULSD Hydrotreater	3Q	105	45	28%
Wilmington	Alky Expansion	4Q	195	45	23%
Bill Greehey (CC)	ULSD Hydrotreater	4Q	260	20	14%

[1] Total project cost includes non-strategic capital costs; Internal rates of return based on "strategic" portion of capital
[2] VLO portion, on which the IRR is based; Premcor spent $150 mm prior to acquisition

- **Evaluating large hydrocracker and expansion projects at St. Charles and Port Arthur**
- **Planning bottoms-upgrading project at Jean Gaulin (Quebec) refinery**

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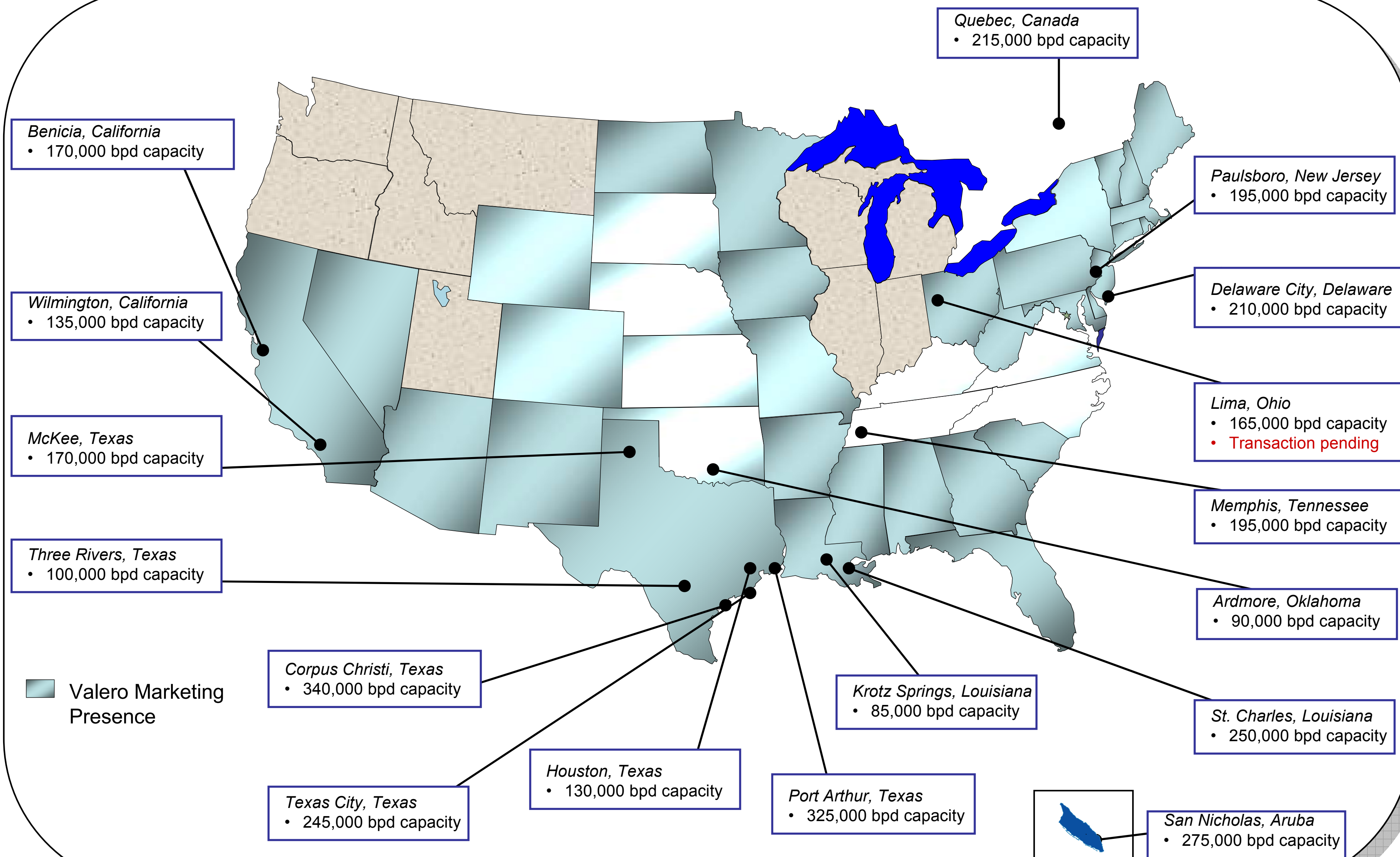
Map of Valero Refineries



Capacity shown in terms of crude and feedstock throughput

Safe Harbor Statement

Statements contained in this presentation that state the Company's or management's expectations or predictions of the future are forward–looking statements intended to be covered by the safe harbor provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. The words "believe," "expect," "should," "estimates," and other similar expressions identify forward–looking statements. It is important to note that actual results could differ materially from those projected in such forward–looking statements. For more information concerning factors that could cause actual results to differ from those expressed or forecasted, see Valero's annual reports on Form 10-K and quarterly reports on Form 10-Q, filed with the Securities and Exchange Commission, and available on Valero's website at www.valero.com.