VALERO ENERGY CORPORATION

Investor Presentation

June 27-28, 2006

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.

Mike Ciskowski,

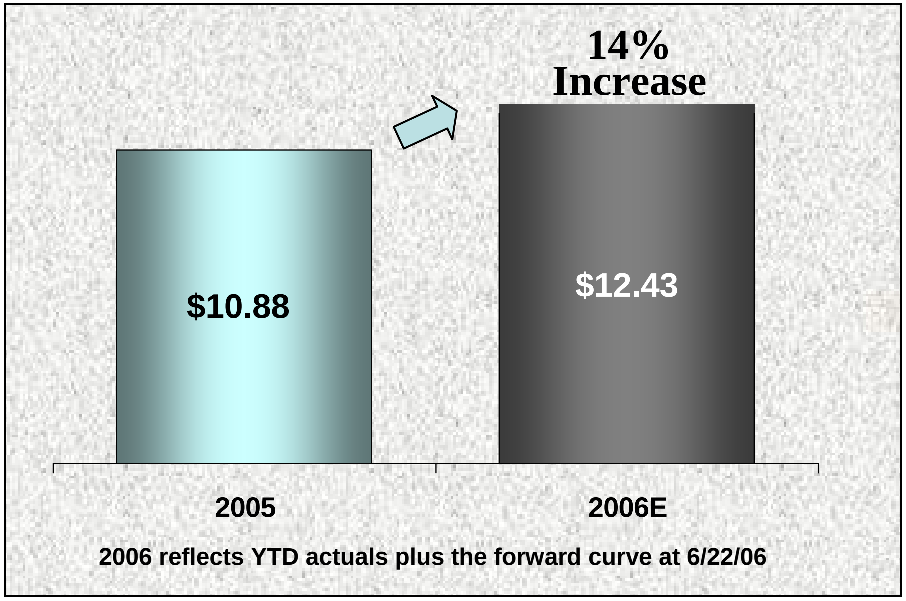
Chief Financial Officer
Valero Energy Corporation

Financial Update

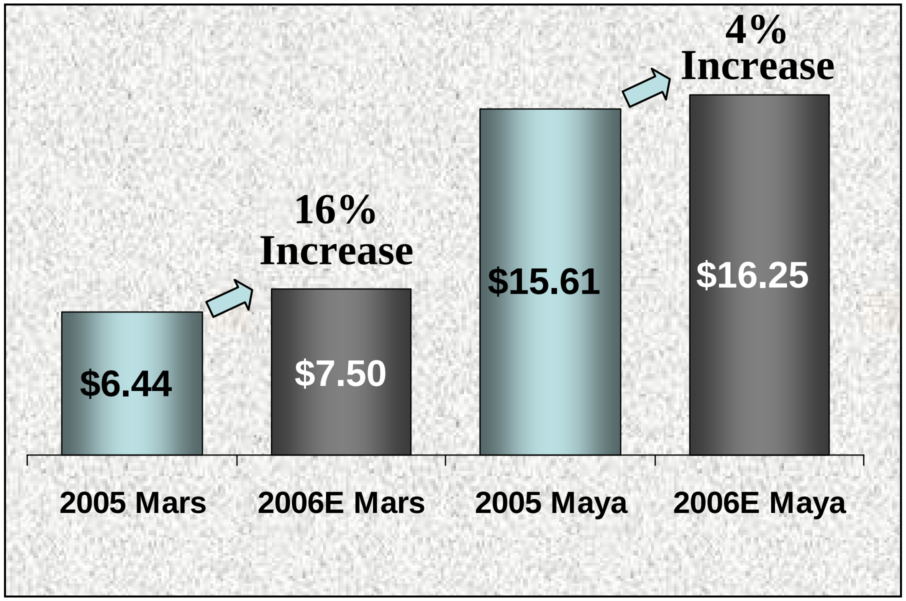
- **What is our outlook for 2006?**
- **Is our capital expenditures budget increasing?**
- **What are our uses of free cash flow?**

Expect Another Record Year in 2006

GULF COAST 5-3-2 CRACK ($/bbl.)



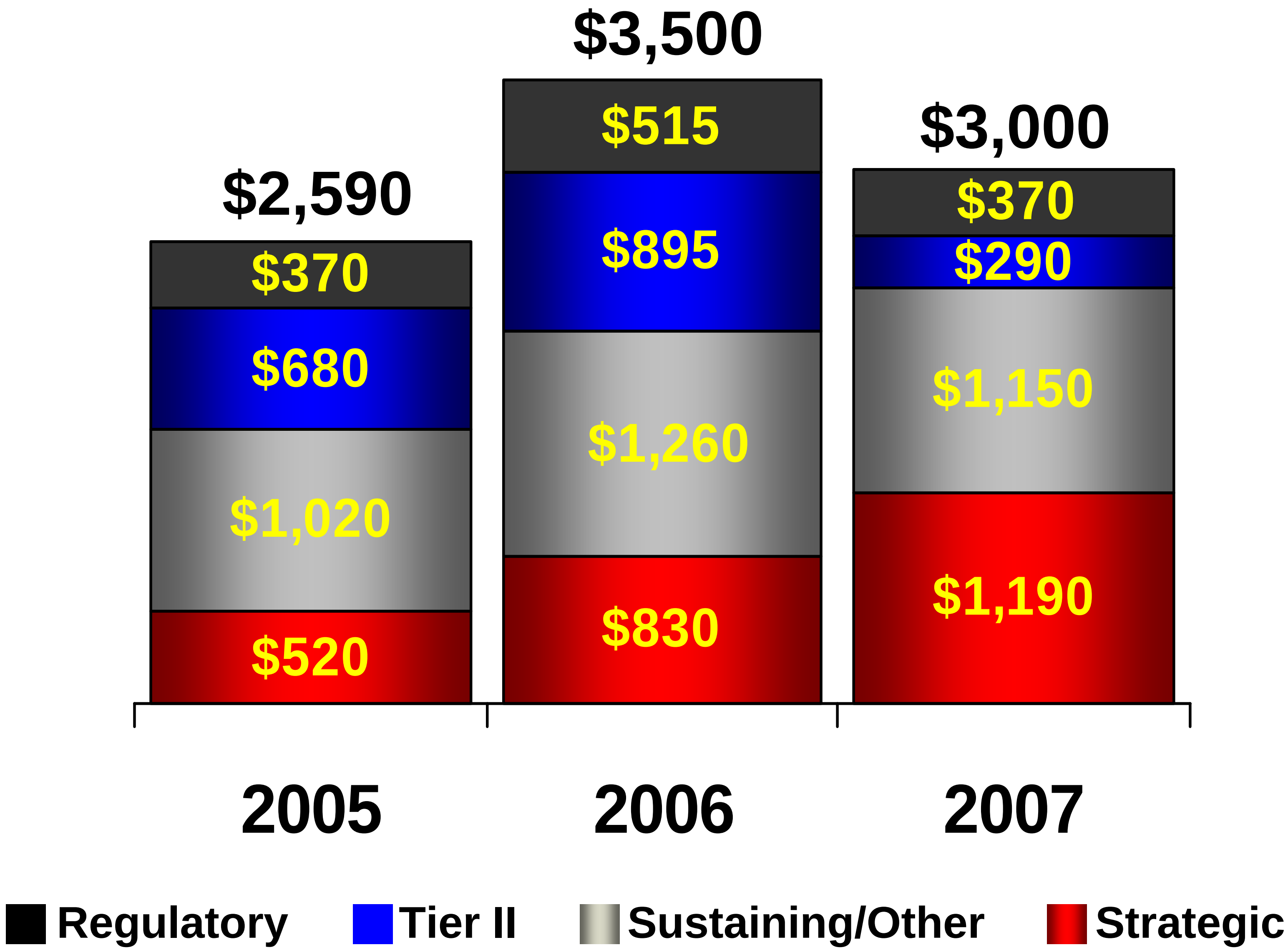
SOUR CRUDE DISCOUNTS ($/bbl.)



- Premcor acquisition 20% accretive to 2006 earnings … Incremental 8 months of ownership vs. 2005
- Incremental EBITDA benefit of around $120 million expected in 2006 from 2005/2006 strategic capital projects
- Continued focus on improving competitive position
- Buyback 5% of outstanding shares this year

Capital Program

(Dollars in millions)



Strong Free Cash Flow Potential

(Dollars in Millions, unless noted)

	2006 Case	2007 Case
First Call EPS Estimate (1)	**$8.12**	**$7.12**
Net Income (2)	$5,200	$4,500
Plus: Est. DD&A	1,100	1,200
Plus: Est. Deferred Tax Expense	400	400
Operating Cash Flow	**$6,700**	**$6,100**
Debt Reduction	(220)	(290)
Dividends	(185)	(185)
Capital Expenditures	(3,500)	(3,000)
Earnouts	(100)	(75)
Free Cash Flow	**$2,695**	**$2,550**

Forward Curve as of 6/22/06 would indicate higher earnings than current First Call estimates for 2006 and 2007

(1) All amounts are estimates based up First Call Consensus Estimates as of June 22, 2006
(2) Based on 638 million shares outstanding (est. weighted average for 2006)

Use Free Cash to Increase Shareholder Value

- **Maintain strong balance sheet**
  - Pursuing upgrade of investment grade credit rating
  - Continue to pay off debt at maturity and repurchase opportunistically
- **Sticking to capital forecasts for 2006 and 2007**
  - Stay within capital budget despite higher costs
- **Repurchasing 5% of outstanding shares**
  - Completed pre-existing $360 million purchase plan in 2Q06
  - Will look at increasing repurchase program in 2007
- **Modest dividend increases**
- **Selling ownership interest in Valero L.P.**

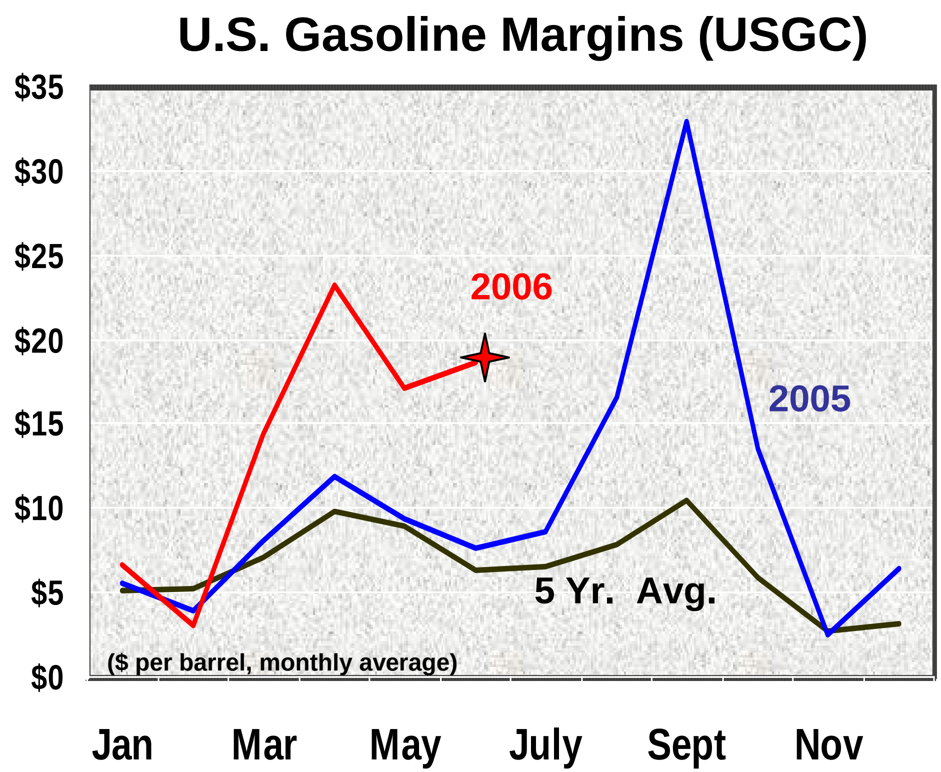
Bill Klesse,

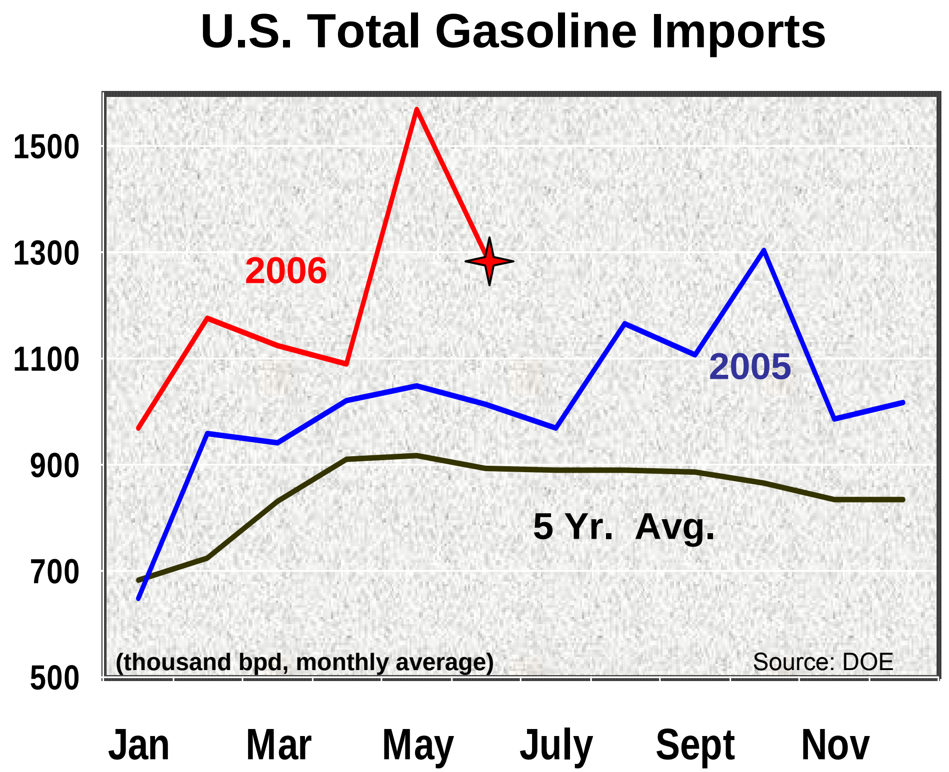
Chief Executive Officer
Valero Energy Corporation

Outlook and Strategy

- **What is our view on current industry fundamentals?**
- **What is our outlook for the refining industry beyond 2007?**
- **What is our view of the acquisition market?**
- **What is our strategy going forward?**

Gasoline Fundamentals

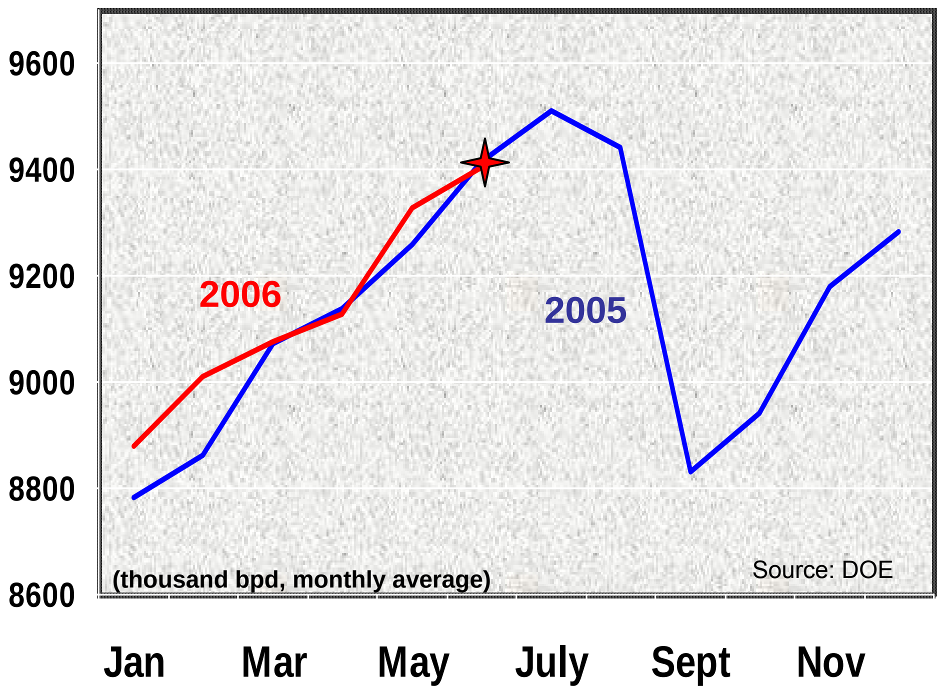




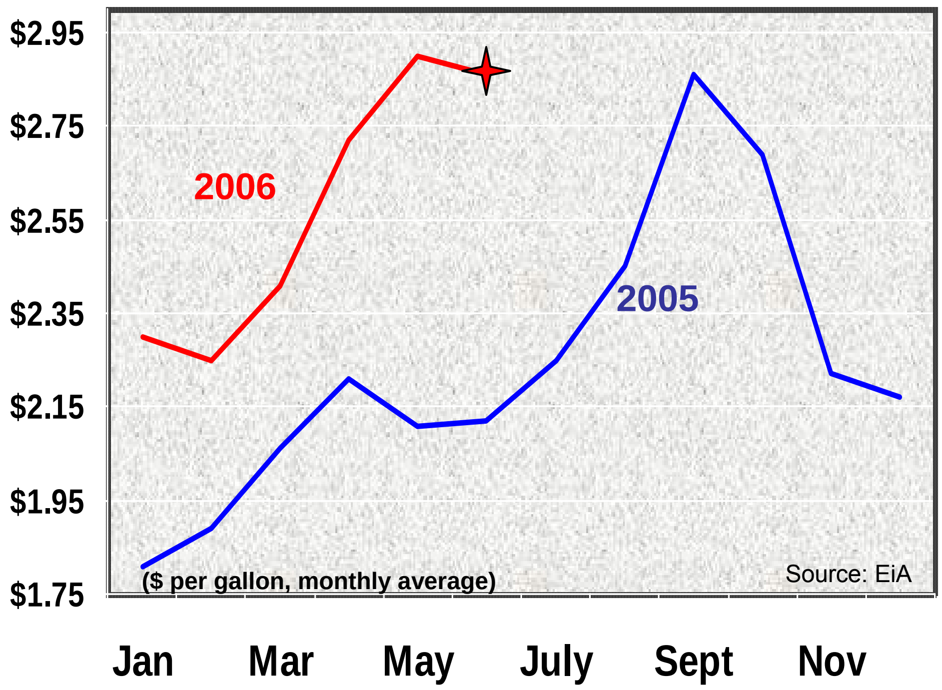
- Low days-of-supply and high margins pulling imports into the U.S. to meet demand
- High imports year-to-date (particularly of blending components) have had little affect on margins

Gasoline Demand Remains Strong

U.S. Gasoline Demand

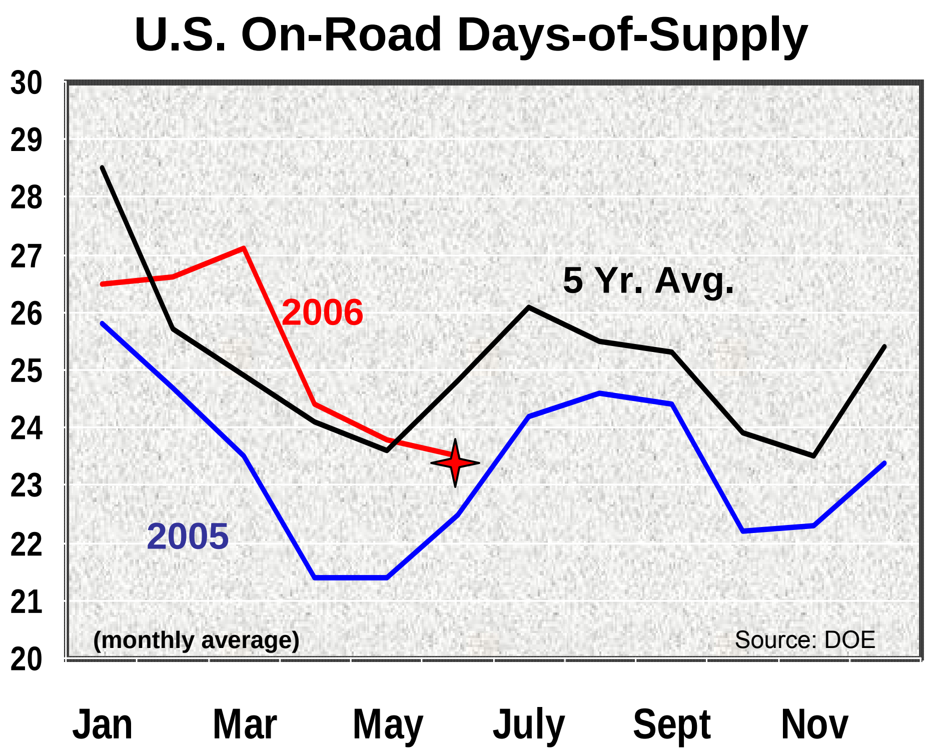


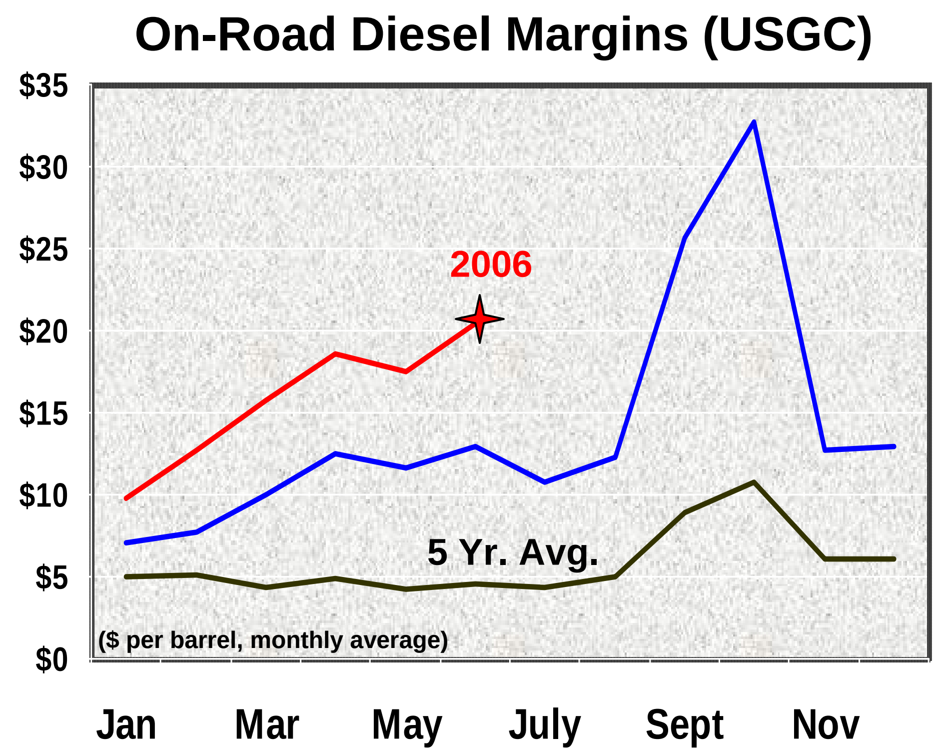
U.S. Retail Gasoline Price



- Demand remains strong, despite high pump prices
- Expect strong year-over-year demand comparisons in 2H06

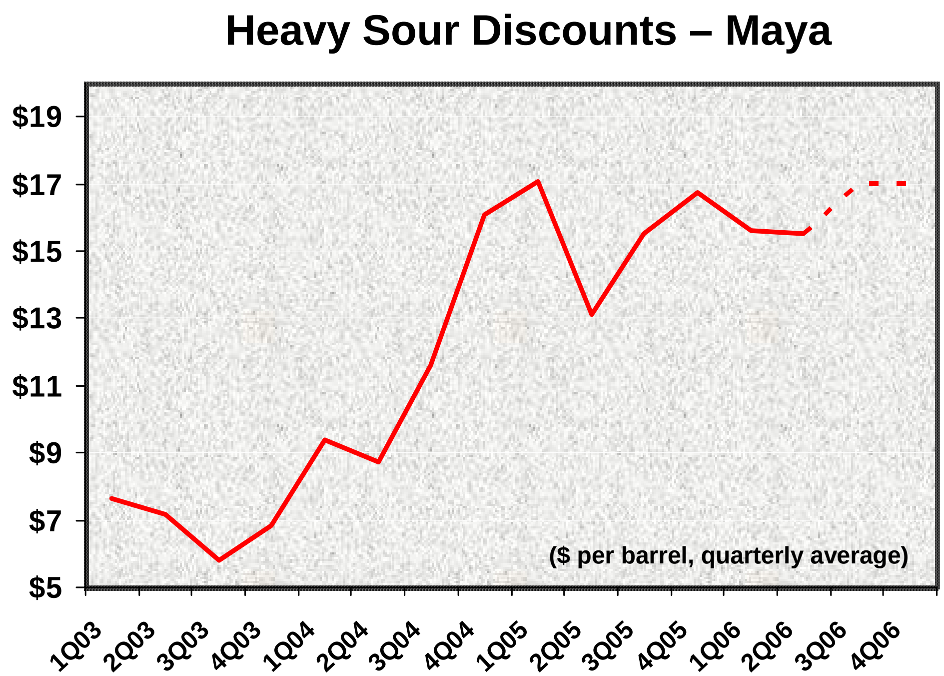
Distillate Fundamentals

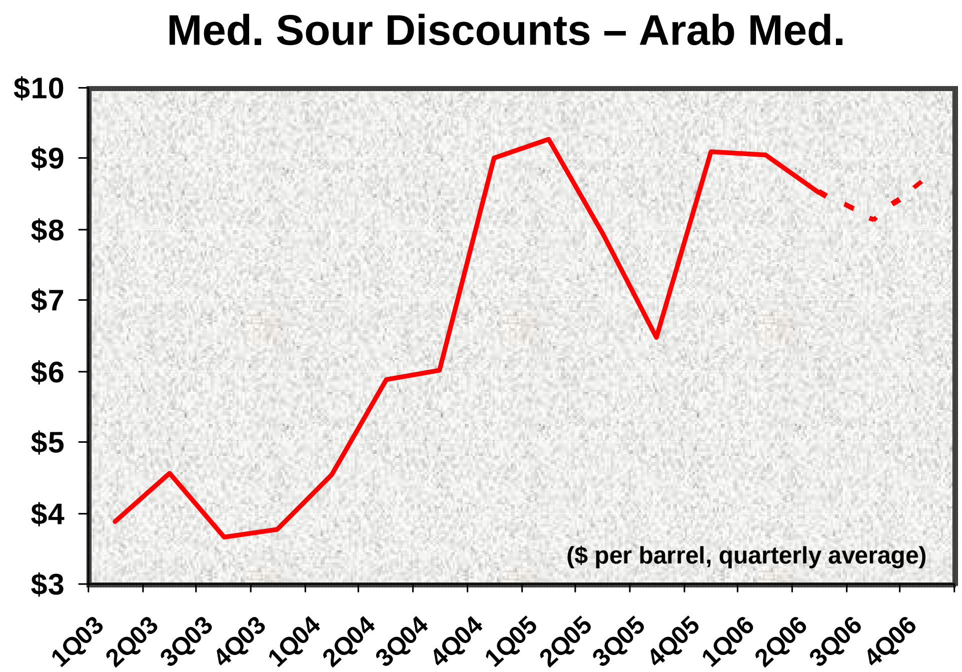




- **Tight supply of on-road diesel**
  - $5 to $10 per barrel premiums for on-road vs. off-road diesel
  - Potential for logistics and production problems going forward
- **Important to monitor on-road diesel margins, not just heat cracks**
  - 75% of Valero's distillate production prices like on-road diesel

Sour Crude Fundamentals





- **Limited refining capacity globally to process low-quality crudes**
- **Strong global refining margins providing incentive to increase utilization of low complexity refineries**
  - Produces excess residual fuel oil
- **Demand for sweet crude up due to global movement to cleaner fuels**
  - Bids up sweet crude prices relative to sour

Tight Supply Demand Balance - Rest of Decade

- Supply/demand balance remains tight
  - Global utilization rate expected to be around 86% for 2006
- Global refined product demand expected to grow at least 1.3 million bpd annually for the rest of the decade
- Need at least 1.3 million bpd annually of incremental global supply to maintain status quo
- Supply growth will be challenged
  - Continued global movement to cleaner burning fuels
  - Higher costs and longer lead times
- Utilization rates should remain high for at least rest of decade

➡ ***MARGINS TO REMAIN HIGH***

Current Acquisition Market

- **Valero's analytical process remains the same**
  - Bullish on the future of refining
  - Identify the right asset at the right price
- **Difference today is there are more investors who share our optimistic outlook**
  - Financial buyers in the market with ability to highly leverage an acquisition
  - National energy companies with multiple objectives
- **Causing valuations to move much higher**

➡ ***VALERO WILL CONTINUE TO LOOK***

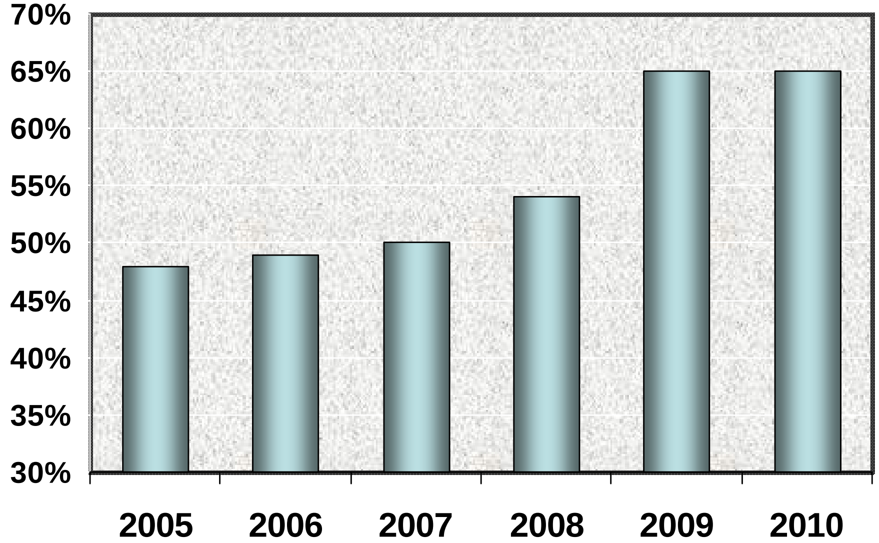
What to Expect from Valero Going Forward

- **Currently in the strategic planning process**
  - Expect more definition later this year
- **Focus on our operations**
  - Acquired 17 refineries in 8 years
  - Focus on competitiveness … bring more of the crack to the bottom line
  - Pursue Best-in-Class Safety, Reliability, Cost Control, Efficiency
- **Capital discipline**
  - Strategic investments at flagship refineries
  - Projects at Port Arthur (+75 MBPD) and Quebec (+50 MBPD) … projected incremental $130+ million of operating income annually
- **Return cash to shareholders**
  - Stock buyback
  - Modest dividend increases

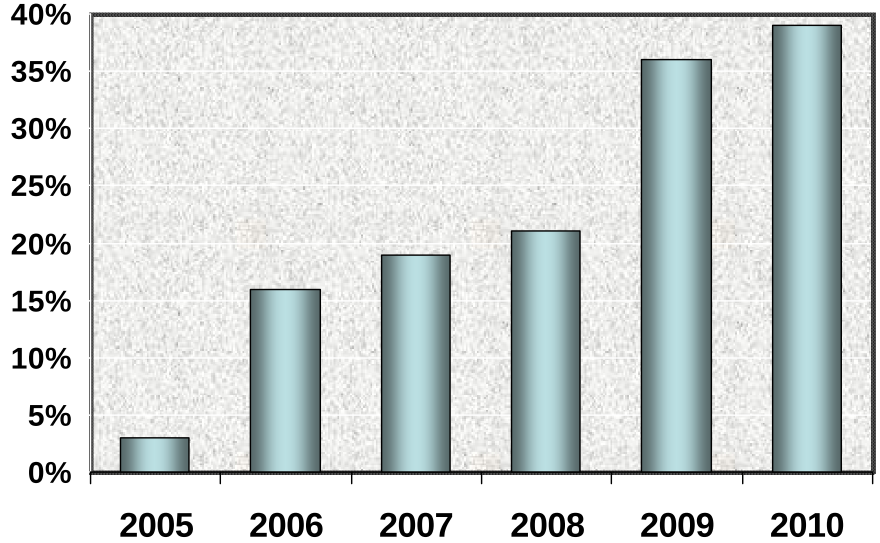
Appendix

Global Movement to Clean Fuels Continues

Global Gasoline Demand by Sulfur Content (Sulfur Level below 30 ppm)



Global Diesel Demand By Sulfur Content (Sulfur Level below 15 ppm)



- **Increasing global demand for ultra clean fuels**
- **Capital diverted to non-expansion investments**
  - Hydrotreating and desulfurization
- **Supports demand for sweet crudes**