

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

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

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

| OMB APPROVAL | |
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|--|---------|----------|--|--|--|--|--|--|
| 1. Name and Address of Reporting Person* <u>Morgan Mary F</u> | | | 2. Issuer Name and Ticker or Trading Symbol <u>VALERO L P [VLI]</u> | | | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner <input checked="" type="checkbox"/> Officer (give title below) Other (specify below) <u>Vice President</u> | | |
| (Last) | (First) | (Middle) | 3. Date of Earliest Transaction (Month/Day/Year) <u>01/25/2007</u> | | | | | |
| <u>P.O. BOX 696000</u> | | | 4. If Amendment, Date of Original Filed (Month/Day/Year) | | | 6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person Form filed by More than One Reporting Person | | |
| (Street) <u>SAN ANTONIO TX 78269-6000</u> | | | | | | | | |
| (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 | (A) or (D) | Price | | | |
| <u>Common Units</u> | <u>01/25/2007</u> | | <u>M</u> | | <u>284</u> | <u>A</u> | <u>\$0</u> | <u>7,712</u> | <u>D</u> | |
| <u>Common Units</u> | <u>01/25/2007</u> | | <u>F</u> | | <u>121</u> | <u>D</u> | <u>\$58.01</u> | <u>7,591</u> | <u>D</u> | |

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 Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) | |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----|--|-------------------|---|--|--|---|--|-------|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | | | | | | Title |
| <u>Performance Units</u> | <u>(1)</u> | <u>01/25/2007</u> | | <u>A</u> | | <u>930</u> | | <u>01/25/2007</u> | <u>01/25/2010</u> | <u>common units</u> | <u>930</u> | <u>\$0</u> | <u>930</u> | <u>D</u> | |
| <u>Performance Units</u> | <u>(2)</u> | <u>01/25/2007</u> | | <u>M</u> | | <u>284</u> | | <u>01/25/2007</u> | <u>01/25/2009</u> | <u>common units</u> | <u>284</u> | <u>\$0</u> | <u>566</u> | <u>D</u> | |

Explanation of Responses:

- Award of performance units. The performance units vest annually in one-third increments beginning on the first anniversary of the grant date and are payable in common units in amounts ranging from zero to 200% of the performance units.
- Settlement of previously awarded performance units at 100% of base units.

Amy L. Perry, as Attorney-in-Fact for Mary F. Morgan 01/29/2007

** Signature of Reporting Person Date

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

* 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).

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.