

Blueknight Energy Partners, L.P.
Form 424B3
September 27, 2011
Table of Contents

Filed pursuant to Rule 424(b)(3)
SEC File No. 333-175124

PROSPECTUS SUPPLEMENT

(To Prospectus Dated July 26, 2011)

Blueknight Energy Partners, L.P.

Up to 11,846,990 Series A Preferred Units

Representing Limited Partner Interests

Issuable Upon Exercise of Rights to Subscribe for such Units

We are distributing, at no charge, to the holders of our common units representing limited partner interests as of 5:00 p.m., New York City time, on September 27, 2011 (the Record Date), transferable subscription rights (the Rights) to subscribe for Series A Preferred Units representing limited partner interests in our partnership. Our common unitholders will receive 0.5412 Rights for each common unit held of record as of the Record Date. As of the Record Date, we had 21,890,224 common units issued and outstanding. Accordingly, we are distributing Rights exercisable for up to 11,846,990 Series A Preferred Units. We expect the total purchase price for all of the Series A Preferred Units offered in this rights offering to be approximately \$77.0 million, assuming full participation. The Series A Preferred Units are convertible in whole or in part into common units at the holder's election as set forth in this prospectus supplement. In addition, under certain circumstances, we can convert all of the Series A Preferred Units into common units. See Questions and Answers Related to the Rights Offering.

Each whole Right entitles the holder (including holders of Rights acquired during the subscription period) to purchase for \$6.50 in cash one Series A Preferred Unit, which we refer to as the Basic Subscription Right. In addition, holders of Rights will be entitled, subject to limitations, to subscribe (the Over-Subscription Right) for additional Series A Preferred Units that remain unsubscribed as a result of any unexercised Basic Subscription Rights (which we collectively refer to as the Excess Preferred Units) at the subscription price of \$6.50 per unit.

The Rights will expire if they are not exercised by 5:00 p.m., New York City time, on October 31, 2011 (the Expiration Date), unless we extend the offering period. Any Rights not exercised by the Expiration Date will expire worthless without any payment to the holders of those unexercised Rights. There is no minimum subscription amount required for consummation of this rights offering.

You should carefully consider whether to exercise your Rights before the Expiration Date. All exercises of Rights are irrevocable. Our board of directors is making no recommendation regarding your exercise of the Rights. We have agreed to conduct this rights offering pursuant to the terms of a global transaction agreement, which we entered into with certain affiliates of Vitol Holding B.V. and Charlesbank Capital Partners, LLC.

The Series A Preferred Units and the common units issuable upon conversion of the Series A Preferred Units are being offered directly by us without the services of an underwriter or selling agent.

Our common units are traded on the Nasdaq Global Market (Nasdaq) under the symbol BKEP. We expect that the common units issuable upon the conversion of the Series A Preferred Units will also be listed on Nasdaq under the same symbol. On September 26, 2011, the closing sales price for our common units was \$7.00 per unit. The Rights are transferable and have been approved for listing on Nasdaq under the symbol BKEPR. The Series A Preferred Units have been approved for listing on Nasdaq under the symbol BKEPP.

The exercise of your Rights and investing in our securities involves risks. You should carefully consider the risks that are described in the Risk Factors section beginning on page S-20 of this prospectus supplement before exercising your Rights.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is September 27, 2011.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

	Page
<u>About This Prospectus Supplement</u>	S-ii
<u>Where You Can Find More Information</u>	S-iii
<u>Forward-Looking Statements</u>	S-iv
<u>Questions and Answers About This Rights Offering</u>	S-1
<u>Summary</u>	S-8
<u>The Offering</u>	S-12
<u>Risk Factors</u>	S-20
<u>The Rights Offering</u>	S-31
<u>Use of Proceeds</u>	S-38
<u>Capitalization</u>	S-39
<u>Price Range of Common Units and Distributions</u>	S-40
<u>Description of Common Units and Series A Preferred Units</u>	S-41
<u>Cash Distribution Policy</u>	S-45
<u>The Partnership Agreement</u>	S-54
<u>Material U.S. Federal Income Tax Considerations</u>	S-69
<u>Plan of Distribution</u>	S-75
<u>Legal Matters</u>	S-76
<u>Experts</u>	S-76
<u>Annex A</u>	A-1
<u>Annex B</u>	B-1
<u>Annex C</u>	C-1
<u>Annex D</u>	D-1
<u>Annex E</u>	E-1

Prospectus

	Page
<u>About this Prospectus</u>	1
<u>About Blueknight Energy Partners, L.P.</u>	1
<u>Risk Factors</u>	3
<u>Forward-Looking Statements</u>	3
<u>Use of Proceeds</u>	3
<u>Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Unit Distributions</u>	4
<u>Description of the Debt Securities</u>	5
<u>Description of the Common Units and Series A Preferred Units</u>	14
<u>Description of the Partnership Securities</u>	18
<u>Description of the Warrants</u>	19
<u>Description of the Rights</u>	21
<u>The Partnership Agreement</u>	22
<u>Cash Distribution Policy</u>	37
<u>Material Income Tax Considerations</u>	49
<u>Plan of Distribution</u>	65
<u>Where You Can Find More Information</u>	67
<u>Legal Matters</u>	68
<u>Experts</u>	68

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement and the documents incorporated by reference herein, which describes the specific terms of this rights offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this rights offering. If the information relating to this offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not authorized any dealer, salesman or other person to provide you with additional or different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus are not an offer to sell or the solicitation of an offer to buy any securities other than the securities to which they relate and are not an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. You should not assume that the information contained in this prospectus supplement is accurate as of any date other than the date on the front cover of this prospectus supplement, or that the information contained in any document incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement or any sale of a security. The following information should help you understand some of the conventions used in this prospectus supplement:

Throughout this prospectus supplement, when we use the terms *we*, *us*, *our partnership*, *Blueknight* or *Blueknight Energy Partners, L.P.*, we are referring either to Blueknight Energy Partners, L.P., the registrant itself, or to Blueknight Energy Partners, L.P. and our subsidiaries collectively, as the context requires.

Throughout this prospectus supplement, when we use the term *Vitol*, we are referring collectively to Vitol Holding B.V. and its affiliates (other than our general partner, us and our affiliates), and when we use the term *Charlesbank*, we are referring collectively to Charlesbank Capital Partners, LLC and its affiliates (other than our general partner, us and our affiliates).

We are managed by Blueknight Energy Partners G.P., L.L.C., which is our general partner. Our general partner makes all determinations on behalf of our partnership, including determinations related to the conduct of our partnership's business and operations. As a result, the executive officers of our general partner, under the direction of the board of directors of our general partner, make all decisions on behalf of our partnership with respect to the conduct of our business. We refer to the board of directors of the general partner of our general partner as the *board of directors*.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We incorporate by reference information into this prospectus supplement, which means that we disclose important information to you by referring you to another document filed separately with the Securities and Exchange Commission (the "SEC"). The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained expressly in this prospectus or any prospectus supplement, and the information we file later with the SEC will automatically supersede this information. You should not assume that the information in this prospectus is current as of any date other than the date on the front page of this prospectus.

We incorporate by reference the documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") (excluding any information furnished pursuant to Items 2.02 or 7.01 on any Current Report on Form 8-K) until this rights offering is completed:

our Annual Report on Form 10-K for the year ended December 31, 2010;

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011;

our Current Reports on Form 8-K filed with the SEC on January 18, 2011, April 5, 2011, May 6, 2011, May 13, 2011, June 13, 2011, July 13, 2011, August 18, 2011, August 22, 2011, September 14, 2011 and September 27, 2011; and

the description of our common units contained in our Registration Statement on Form 8-A/A, filed on September 14, 2011, and any subsequent amendment or report filed for the purpose of updating such descriptions.

You may request a copy of any document incorporated by reference in this prospectus and any exhibit specifically incorporated by reference in those documents, at no cost, by writing or telephoning us at the following address or phone number:

Blueknight Energy Partners, L.P.

Two Warren Place

6120 South Yale Avenue, Suite 500

Tulsa, Oklahoma 74136

(918) 237-4000

Additionally, you may read and copy any documents filed by us at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public from commercial document retrieval services and at the SEC's web site at <http://www.sec.gov>.

We also make available free of charge on our website at <http://www.bkep.com> our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with the SEC. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website as part of this prospectus.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus supplement may include forward-looking statements as defined by the SEC. All statements, other than statements of historical facts, included in this prospectus supplement that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These statements are based on certain assumptions made by us based on our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control, which may cause our actual results to differ materially from those implied or expressed by the forward-looking statements. We do not assume any obligation to update such forward-looking statements following the date of this prospectus. For a complete description of these risks, see our risk factors set forth in this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2010 and Quarterly Reports for the quarters ended March 31, 2010 and June 30, 2011, or included in any Annual or Quarterly Report on Form 10-K or Form 10-Q filed after the date of this prospectus supplement, which are incorporated into this prospectus supplement. These factors include but are not limited to:

the risks related to this rights offering and related transactions;

the negative impact of decreased volumes and revenues on our ability to make distributions to our unitholders;

the lawsuits in which we have been named as a party and the fact that we may be named in additional litigation in the future;

substantial costs relating to the voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code filed by the predecessor of SemGroup Corporation, which previously controlled our partnership;

our ability to obtain funding or obtain funding on acceptable terms due to the deterioration of the credit and capital markets;

our debt levels under our credit agreement;

our ability to pursue acquisitions and other business opportunities if we borrow funds to make any permitted quarterly distributions;

we are not fully insured against all risks incident to our business;

our dependence on certain key customers for a portion of our revenues;

our dependence on demand for crude oil and/or finished asphalt products in the areas served by our storage facilities and pipelines;

our dependence on the production of crude oil from the oil fields served by our pipelines;

our dependence on the production of liquid asphalt;

Edgar Filing: Blueknight Energy Partners, L.P. - Form 424B3

some of our pipeline systems are dependent upon their interconnections with other crude oil pipelines to reach end markets;

our exposure to costs associated with delays in the construction of new assets;

our exposure to the credit risk of our third-party customers in the ordinary course of our gathering activities;

our operations are subject to environmental and worker safety laws and regulations that may expose us to significant costs and liabilities; and

our business involves many hazards and operational risks, including adverse weather conditions.

S-iv

Table of Contents

QUESTIONS AND ANSWERS ABOUT THIS RIGHTS OFFERING

The following are examples of what we anticipate may be common questions about this rights offering. The answers are based on selected information from this prospectus supplement and the documents incorporated by reference in this prospectus supplement. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about this rights offering. This prospectus supplement contains more detailed descriptions of the terms and conditions of this rights offering and provides additional information about us and our business, including potential risks related to this rights offering, our Series A Preferred Units and our common units (including the common units issuable upon conversion of the Series A Preferred Units).

*Exercising the Rights and investing in our securities involve a high degree of risk. We urge you to carefully read the section entitled **Risk Factors** beginning on page S-20 of this prospectus supplement and all other information included in, or incorporated by reference into, this prospectus supplement in its entirety before you decide whether to exercise your Rights.*

What is the rights offering?

We are distributing to holders of our common units, at no charge, transferable Rights to purchase our Series A Preferred Units. You will receive 0.5412 Rights for each common unit you owned as of 5:00 p.m., New York City time, on September 27, 2011, which is the Record Date for this rights offering.

How much money will we raise as a result of this rights offering?

Assuming all of the Rights are exercised, we estimate that the net proceeds from this rights offering will be approximately \$77.0 million, after deducting our expenses related to this offering. We intend to close this rights offering and accept such proceeds of the Basic Subscription Rights and Over-Subscription Rights as we have received as of the Expiration Date, even if such amount is less than the proceeds from the exercise of all of the Rights. See **Risk Factors**. The net proceeds we receive from the rights offering may be lower than we currently anticipate.

What will the proceeds from this rights offering be used for?

The proceeds from this rights offering, after deducting our estimated expenses, will be used as follows: (a) first, to redeem convertible debentures (the **Convertible Debentures**) in the aggregate principal amount of up to \$50 million plus accrued interest thereon that we issued to affiliates of Vitol and Charlesbank, (b) second, to repurchase, on a pro rata basis, up to a maximum of \$22 million of Series A Preferred Units from Vitol and Charlesbank at a purchase price of \$6.50 per unit plus any pro rata distribution for the quarter in which such units are repurchased and (c) thereafter, for general partnership purposes.

What happens if we do not raise sufficient proceeds from the rights offering to redeem the Convertible Debentures?

If not otherwise redeemed, the Convertible Debentures will mature on December 31, 2011 and, on such date, all outstanding principal and any accrued and unpaid interest shall automatically convert into a number of Series A Preferred Units equal to (1) the sum of the outstanding principal and any accrued and unpaid interest being converted, divided by (2) 6.50.

What is the Basic Subscription Right?

Each Basic Subscription Right entitles the holder of a Right the opportunity to purchase one Series A Preferred Unit prior to the expiration of the Right for \$6.50 in cash. The Rights are transferable during the course of the subscription period, and we have been advised by Nasdaq that the Rights will be traded on the Nasdaq Global Market under the symbol **BKEPR**.

Table of Contents

A holder may exercise any number of his Basic Subscription Rights, or he may choose not to exercise any at all.

For example, if you own 1,000 common units on the Record Date, you will be granted 0.5412 Rights for every common unit you own at that time, representing the Basic Subscription Right to subscribe for up to 541 Series A Preferred Units. Any additional Rights you purchase or sell will increase or decrease your Basic Subscription Rights accordingly. Rights may only be exercised for whole Series A Preferred Units. No fractional Series A Preferred Units will be issued in this offering. If you hold your common units in the name of a broker, dealer, custodian bank, trustee or other nominee who uses the services of The Depository Trust Company (DTC), then DTC will distribute 0.5412 Rights to the nominee for every common unit you own at the Record Date.

What is the Over-Subscription Right?

Holders of Rights may also elect, subject to limitations, to subscribe for additional Series A Preferred Units that remain unsubscribed for as a result of any unexercised Basic Subscription Rights. The Over-Subscription Rights will only be fulfilled to the extent that all Basic Subscription Rights are not exercised in full and there are Excess Preferred Units available.

Though there is no limit on the number of Over-Subscription Rights you may exercise, in no event will the total number of Series A Preferred Units issued pursuant to all exercised Over-Subscription Rights exceed the number of Excess Preferred Units. Payments in respect of Over-Subscription Rights are due at the time payment is made for the Basic Subscription Right.

What happens if Rights holders exercise their respective Over-Subscription Rights to purchase additional Series A Preferred Units?

If there are sufficient Excess Preferred Units, all exercises of Over-Subscription Rights will be honored in full. If not, we will allocate any remaining available Series A Preferred Units pro-rata among Rights holders who exercised their respective Over-Subscription Rights, based on the number of Basic Subscription Rights they exercised. American Stock Transfer & Trust Company, LLC, the subscription agent for this rights offering, will make any prorating calculations with respect to each exercise of Over-Subscription Rights in a manner it deems reasonable and, for purposes of each such proration, will not aggregate multiple exercises of Basic Subscription Rights by the same holder. If you exercise your Rights through a broker, dealer, custodian bank or other nominee, that nominee may have different procedures with respect to aggregating exercises of rights; please contact your nominee for more information. The number of Series A Preferred Units allotted to each holder exercising Over-Subscription Rights will be rounded to eliminate fractional units.

Payments for the exercise of Basic Subscription Rights and Over-Subscription Rights will be deposited upon receipt by the subscription agent and held in a segregated account with the subscription agent pending a final determination of the number of Series A Preferred Units to be issued pursuant to the Basic Subscription Rights and Over-Subscription Rights. If the pro-rated number of Series A Preferred Units allocated to you in connection with your Over-Subscription Right is less than your over-subscription request, then the excess funds held by the subscription agent on your behalf will be returned to you, without interest, promptly after this rights offering has expired and all prorating calculations and reductions contemplated by the terms of this rights offering have been effected. We will deliver certificates representing your Series A Preferred Units or credit your account at your nominee holder with Series A Preferred Units that you purchased pursuant to your Basic Subscription Rights and Over-Subscription Rights promptly after this rights offering has expired and all prorating calculations and reductions contemplated by the terms of this rights offering have been effected.

Table of Contents

What are the Series A Preferred Units?

The Series A Preferred Units are a class of limited partner interest in our partnership. Holders of the Series A Preferred Units are entitled to quarterly distributions of (i) in the case of any quarter or partial quarter during the period ending on October 25, 2011, \$0.138125 per unit and (ii) thereafter, \$0.17875 per unit, plus any arrearages from prior quarters, before any distributions of operating surplus are paid to the holders of our common units. The Series A Preferred Units have voting rights that are identical to the voting rights of the common units and vote with the common units as a single class, with each Series A Preferred Unit entitled to one vote for each common unit into which such Series A Preferred Unit is convertible. The Series A Preferred Units have class voting rights on any matter, including a merger, consolidation or business combination, that adversely affects, amends or modifies any of the rights, preferences, privileges or terms of the Series A Preferred Units.

The Series A Preferred Units are convertible in whole or in part into common units at the holder's election. The number of common units into which a Series A Preferred Unit is convertible is equal to (i) \$6.50 divided by (ii) the Conversion Price. The Conversion Price is an amount equal to the volume-weighted average trading price per common unit during the 20 consecutive trading days ending on September 28, 2011; provided, that the Conversion Price shall be no greater than \$6.50 and no lower than \$5.50. In addition, under certain circumstances, we can convert all of the Series A Preferred Units into common units.

For additional information about the Series A Preferred Units, please read Description of Common Units and Series A Preferred Units, Cash Distribution Policy and The Partnership Agreement.

Will the Series A Preferred Units that can be purchased upon exercise of the Rights receive a quarterly distribution relating to the quarter ending September 30, 2011?

No. Vitol and Charlesbank purchased an aggregate of 21,538,462 Series A Preferred Units on October 25, 2010. We currently expect that the record date for any distribution on the Series A Preferred Units relating to the quarter ending September 30, 2011 will occur prior to the expiration of this rights offering. Accordingly, if you exercise your Rights, you should not expect to receive a distribution on any Series A Preferred Units purchased by you for the quarter ending September 30, 2011.

Will the Rights and the Series A Preferred Units that I receive upon exercise of my Rights be tradable on the Nasdaq Global Market?

Our common units currently trade on the Nasdaq Global Market under the symbol BKEP and we expect that the common units issuable upon conversion of the Series A Preferred Units issued in the rights offering will be eligible for trading on Nasdaq. The Rights are transferable during the course of the subscription period, and we have been advised by Nasdaq that the Rights will be traded on the Nasdaq Global Market under the symbol BKEPR beginning on or about October 3, 2011, until 4:00 p.m., New York City time, on October 31, 2011, the scheduled Expiration Date of this rights offering. As a result, you may transfer or sell your Rights if you do not want to purchase any Series A Preferred Units. However, the Rights have no prior trading market, and we cannot provide you any assurances as to the liquidity of the trading market for the Rights. The Series A Preferred Units have been approved for listing on Nasdaq under the symbol BKEPP.

May I sell my Series A Preferred Units?

Yes. You may sell your Series A Preferred Units on Nasdaq if the Series A Preferred Units are listed on Nasdaq at the time of sale. You may also be able to sell your Series A Preferred Units in private transactions. We cannot assure you that there will be a market to sell your Series A Preferred Units, or as to the price at which you will be able to sell such units. Since the Series A Preferred Units are perpetual and will not mature, you could be required to hold your Series A Preferred Units indefinitely if your Series A Preferred Units are not converted into common units.

How do I exercise my Basic Subscription Right?

You may exercise your Basic Subscription Rights by properly completing and signing the certificates evidencing your Rights (each a Rights Certificate) if you are a record holder of our common units, or by properly completing the subscription documents received from your bank or broker-dealer if your common units

Table of Contents

are held in street name. Your Rights Certificate, or properly completed subscription documents, as the case may be, together with full payment of the subscription price, must be received by American Stock Transfer & Trust Company, LLC, the subscription agent for this rights offering, by 5:00 p.m., New York City time, on or prior to the expiration of this rights offering, unless delivery of the Rights Certificate is effected pursuant to the guaranteed delivery procedures described below. In this prospectus supplement, we sometimes refer to American Stock Transfer & Trust Company, LLC as the subscription agent. American Stock Transfer & Trust Company, LLC is also the transfer agent and registrar for our common units and will serve as the transfer agent and register for the Series A Preferred Units.

If you are a record holder and you use the mail, we recommend that you use insured, registered mail, return receipt requested. Whether you are a record holder or hold your common units through a broker, dealer, custodian bank, trustee or other nominee, we will not be obligated to honor your exercise of Rights if the subscription agent receives the documents relating to your exercise after the expiration of this rights offering, regardless of when you transmitted the documents.

How do I exercise my Over-Subscription Right?

In order to properly exercise your Over-Subscription Right, you must: (i) indicate on your Rights Certificate that you submit with respect to the exercise of your Basic Subscription Rights the number of additional Series A Preferred Units you are willing to acquire pursuant to your Over-Subscription Right and (ii) concurrently deliver full payment of the subscription price related to your Over-Subscription Right exercise at the time you make payment for your Basic Subscription Right exercise, or follow the method described below under The Rights Offering Guaranteed Delivery Procedures. All funds received by the subscription agent from the exercise of Over-Subscription Rights that are not fulfilled will be returned to investors, without interest, promptly after this rights offering has expired and all prorating calculations and reductions contemplated by the terms of this rights offering have been effected.

If you are a record holder and you use the mail, we recommend that you use insured, registered mail, return receipt requested. Whether you are a record holder or hold your common units through a broker, dealer, custodian bank, trustee or other nominee, we will not be obligated to honor your exercise of Rights if the subscription agent receives the documents relating to your exercise after the expiration of this rights offering, regardless of when you transmitted the documents.

Am I required to subscribe in the rights offering?

No. You may exercise or sell any number of your Rights. If you choose not to exercise your Basic Subscription Rights in full, however, the relative percentage of our common units that you own could substantially decrease, and your voting and other rights could be substantially diluted.

How can I transfer or sell my Rights?

If your common units are held of record by a broker, custodian bank or other nominee on your behalf, you may transfer or sell your Rights by contacting your broker, custodian bank or other nominee through which you hold your common units. Please contact your broker, custodian bank or other nominee for specific instructions and deadlines related to the transfer of your Rights.

If you are a record holder of a Rights Certificate, you may transfer or sell your Rights through the subscription agent, in which case you must deliver your properly executed Rights Certificate, with appropriate instructions, to the subscription agent. **THE SUBSCRIPTION AGENT WILL ONLY FACILITATE SUBDIVISIONS OR TRANSFERS OF THE PHYSICAL RIGHTS CERTIFICATES UNTIL 5:00 P.M., NEW YORK CITY TIME, ON OCTOBER 26, 2011, THREE BUSINESS DAYS PRIOR TO THE SCHEDULED OCTOBER 31, 2011 EXPIRATION DATE.** You may also choose to sell your Rights through

Table of Contents

a broker, custodian bank or other nominee, who may continue to facilitate transfers of the Rights beyond this deadline. If your common units are held of record by a broker, custodian bank or other nominee, please contact your broker, custodian bank, or other nominee for specific instructions and deadlines related to the transfer of your Rights.

When will this rights offering expire?

The Rights will expire, if not exercised, at 5:00 p.m., New York City time, on October 31, 2011 unless the conflicts committee of our board of directors decides to extend the Expiration Date in accordance with the terms of the global transaction agreement or otherwise among us, our general partner and affiliates of Vitol and Charlesbank (the Global Transaction Agreement) with the consent of Vitol and Charlesbank. Any Rights not exercised at or before that time will expire without any payment to the holders of those unexercised Rights. See The Rights Offering Expiration of the Rights Offering and Extensions and Amendments. The subscription agent must actually receive all required documents and payments before 5:00 p.m., New York City time, on October 31, 2011 unless delivery of the Rights Certificate is effected pursuant to the guaranteed delivery procedures described below.

Will we be requiring a minimum dollar amount of subscriptions to consummate the rights offering?

No. There is no minimum subscription requirement to consummate this rights offering.

Are there risks in exercising my Rights?

Yes. The exercise of your Basic Subscription Rights and Over-Subscription Rights (and the resulting ownership of our Series A Preferred Units) involves a high degree of risk. Exercising your Rights means buying Series A Preferred Units and should be considered as carefully as you would consider any other investment. You should carefully consider the information under the heading Risk Factors and all other information included in and incorporated by reference into this prospectus supplement before deciding to exercise your Rights.

Are there risks in not exercising my Rights?

Any Rights that you do not exercise or sell will expire worthless and without payment to you on the Expiration Date. In addition, if you do not fully exercise your Rights, you should expect that you will, at the completion of this offering, own a smaller proportional interest in us than you would have if you fully exercised your Basic Subscription Rights, which could, in certain circumstances, result in gain to you. Please see Risk Factors Your interests in us may be diluted as a result of this rights offering and Risk Factors In some circumstances, you may recognize income or gain as a result of the exercise of Rights by other unitholders.

Can the board of directors extend this rights offering?

Only in certain circumstances. We have agreed to conduct this rights offering pursuant to the terms of the Global Transaction Agreement. Subject to the provisions of the Global Transaction Agreement or otherwise with the consent of Vitol and Charlesbank, the conflicts committee of our board of directors may extend this rights offering at any time prior to the Expiration Date. If the conflicts committee of our board of directors extends this rights offering, we will issue a press release notifying unitholders of the extension of the Expiration Date.

After I exercise my Rights, can I change my mind and cancel my purchase?

No. All exercises of Rights are irrevocable. Once you send in your Rights Certificate (or Notice of Guaranteed Delivery) and payment, you cannot revoke the exercise of either your Basic Subscription Rights or Over-Subscription Rights. You should not exercise your Rights unless you are certain that you wish to purchase Series A Preferred Units at the subscription price.

Table of Contents

What should I do if I want to participate in this rights offering but my common units are held in the name of my broker, dealer, custodian bank, trustee or other nominee?

Beneficial owners of our common units whose units are held by a nominee, such as a broker, dealer, custodian bank or trustee, must contact that nominee to exercise their Rights. In that case, the nominee will exercise the Rights on behalf of the beneficial owner and arrange for proper payment.

If you wish to purchase Series A Preferred Units through this rights offering, please promptly contact your broker, dealer, custodian bank, or other nominee that is the record holder of your common units. We will ask your record holder to notify you of this rights offering. You should complete and return to your record holder the appropriate subscription documentation you receive from your record holder.

What should I do if I want to participate in this rights offering, but I am a unitholder with a foreign address?

Rights Certificates will not be mailed to foreign unitholders whose address of record is outside the United States, or is an Army Post Office (APO) address or Fleet Post Office (FPO) address. If you are a foreign unitholder, you will be sent written notice of this offering. The subscription agent will hold your Rights, subject to you making satisfactory arrangements with the subscription agent for the exercise of your Rights, and follow your instructions for the exercise of the Rights if such instructions are received by the subscription agent at or before 11:00 a.m., New York City time, on October 26, 2011, three business days prior to the Expiration Date (or, if this offering is extended, on or before three business days prior to the extended Expiration Date). If no instructions are received by the subscription agent by that time, your Rights will expire worthless without any payment to you in respect of those unexercised Rights.

Will I be charged a fee or a sales commission if I exercise my Rights?

We will not charge any fee or sales commission to Rights holders for exercising their Rights (other than the subscription price). However, if you exercise your Rights and/or sell any underlying Series A Preferred Units through a broker, dealer, custodian bank, trustee or other nominee, you are responsible for any fees charged by your broker, dealer, custodian bank, trustee or other nominee.

Is a recommendation to unitholders regarding this rights offering being made?

No. Neither we, our board of directors, the information agent nor the subscription agent are making any recommendation as to whether or not you should exercise your Rights. Unitholders who exercise Rights risk investment loss on new money invested. We cannot assure you that the market price for our Series A Preferred Units will be above the subscription price or that anyone purchasing Series A Preferred Units at the subscription price will be able to sell those Series A Preferred Units in the future at the same price or a higher price. We urge you to make your decision based on your own assessment of our business and financial condition, our prospects for the future, the terms of this rights offering, and the information in, or incorporated by reference into, this prospectus supplement. Please see Risk Factors for a discussion of some of the risks involved in investing in our securities, as well as the risks related to dilution of your ownership interest in us if you choose not to exercise your Rights. If you do not exercise or sell your Rights, they will expire worthless and without any payment to you.

What are the material U.S. federal income tax consequences of exercising my Rights?

Tax matters associated with exercising your Rights are complicated. The tax consequences will depend on your own personal tax situation and your subsequent investment decisions and actions. Please read Risk Factors for a discussion of certain tax risks related to receiving and exercising your Rights and Material U.S. Federal Income Tax Considerations for a discussion of the material U.S. federal income tax consequences of this rights offering. In addition, you are encouraged to consult with your own tax advisors for a full understanding of the federal, state, local and foreign tax consequences of receiving and exercising your Rights.

Table of Contents

How many Series A Preferred Units will be outstanding after the completion of this rights offering?

As of September 27, 2011, we had 21,890,224 common units issued and outstanding and 21,538,462 Series A Preferred Units issued and outstanding. The number of Series A Preferred Units that we will issue in this rights offering through the exercise of Rights will depend on the number of such units that are subscribed for in this rights offering but will not exceed approximately 11.8 million. Assuming that the maximum number of Rights are exercised, we anticipate that we will issue approximately 11.8 million Series A Preferred Units in this rights offering, repurchase approximately 3.4 million Series A Preferred Units from Vitol and Charlesbank with a portion of the proceeds from this rights offering and, accordingly have approximately 30.0 million Series A Preferred Units outstanding after consummation of this rights offering and the use of proceeds therefrom.

If I exercise my Rights, how and when will I receive the Series A Preferred Units purchased in this rights offering?

If your common units are held of record by Cede & Co. or by any other depository or nominee through the facilities of DTC on your behalf or on behalf of your broker, dealer, custodian bank, trustee or other nominee, you will have any Series A Preferred Units that you acquire credited to the account of Cede & Co. or the other depository or nominee. With respect to all other unitholders, certificates for all Series A Preferred Units acquired will be mailed to such unitholders. Any such mailing or crediting will occur promptly after this rights offering has expired, payment for the Series A Preferred Units subscribed for has cleared, and all prorating calculations and reductions contemplated by the terms of this rights offering have been effected.

Who is the subscription agent for this rights offering, and to whom should I send my forms and payment?

The subscription agent is American Stock Transfer & Trust Company, LLC. If your common units are held in the name of a broker, dealer, or other nominee, then you should send your applicable subscription documents to your broker, dealer, or other nominee. If you are a record holder, then you should send your applicable subscription documents, by overnight delivery, first class mail or courier service to:

If delivering by hand, mail or overnight courier.

American Stock Transfer & Trust Company

Operations Center

Attention: Reorganization Department

6201 15th Avenue

Brooklyn, New York 11219

We will pay the fees and expenses of the subscription agent and have agreed to indemnify the subscription agent against certain liabilities that it may incur in connection with this rights offering.

You are solely responsible for timely completing delivery to the subscription agent of your subscription documents, Rights Certificate, and payment. We urge you to allow sufficient time for delivery of your subscription materials to the subscription agent.

What should I do if I have other questions?

If you have any questions or need further information about this rights offering, please call Phoenix Advisory Partners, LLC our information agent for the rights offering, at (212) 493-3910 (for brokerage firms and banks) or toll-free at (877) 478-5038 (for unitholders).

Table of Contents

SUMMARY

The following summary highlights information contained elsewhere in this prospectus supplement. It may not contain all the information that may be important to you. You should read this entire prospectus supplement carefully, including the section titled Risk Factors, as well as the other documents incorporated by reference in this prospectus supplement.

Overview

We are a publicly traded master limited partnership with operations in twenty-three states. We provide integrated terminalling, storage, processing, gathering and transportation services for companies engaged in the production, distribution and marketing of crude oil and asphalt product. We do not take title of the crude oil and asphalt for which we provide services for our customers, and our only inventory consists of pipeline linefill and tank bottoms necessary to operate our assets. We manage our operations through four operating segments: (1) crude oil terminalling and storage services, (2) crude oil pipeline services, (3) crude oil trucking and producer field services, and (4) asphalt services.

Crude Oil Terminalling and Storage Services. With approximately 8.1 million barrels of above-ground crude oil terminalling facilities and storage tanks, we are able to provide our customers the ability to effectively manage their crude oil inventories and significant flexibility in their marketing and operating activities. Our crude oil terminalling and storage assets are located throughout our core operating areas with the majority of our crude oil terminalling and storage strategically located at the Cushing Interchange. Our crude oil terminals and storage assets receive crude oil products from pipelines, including those owned by us, and distribute these products to interstate common carrier pipelines and regional independent refiners, among other third parties. Our crude oil terminals derive most of their revenues from terminalling services fees charged to customers.

Crude Oil Pipeline Services. We own and operate a crude oil gathering and transportation system in the Mid-Continent region of the United States with a combined length of approximately 820 miles and a 330 mile tariff regulated crude oil gathering and transportation pipeline in the Longview, Texas area. In addition, we own and operate the Eagle North Pipeline System in the Mid-Continent region of the United States with a length of approximately 135 miles. The Eagle North Pipeline System was placed in service in December of 2010.

Crude Oil Trucking and Producer Field Services. To complement our pipeline gathering and transportation business, we use our approximately 150 owned or leased tanker trucks, which have an average tank size of approximately 200 barrels. Several of our trucking services operating areas, such as West Texas, are not currently served by our gathering and transportation pipeline systems. In these areas, our trucking operations extend our ability to gather and aggregate crude oil on our systems.

We provide a number of producer field services including gathering condensates by way of bobtail trucks for natural gas companies to hauling produced water to disposal wells, providing hot and cold fresh water, chemical and down hole well treating, wet oil clean up and building and maintaining separation facilities. Our producer service fleet consists of approximately 110 trucks in a number of different sizes.

Asphalt Services. With approximately 7.4 million barrels of total asphalt product and residual fuel oil storage capacity, we are able to provide our customers the ability to effectively manage their asphalt product storage and processing and marketing activities. Our 45 terminals are located in 22 states and as such are well positioned to provide asphalt services in the market areas they serve throughout the continental United States. We serve the asphalt industry by providing our customers access to their market areas through a combination of the leasing of certain of our asphalt facilities and the provision of storage and processing services at other of our

Table of Contents

asphalt and residual fuel oil facilities. In our asphalt services segment, we generate revenues by charging a fee for the lease of a facility or for services provided as asphalt products are terminalled, stored and/or processed in our facilities. We do not take title to, or marketing responsibility for, the liquid asphalt product that we terminal, store and/or process. As a result, our asphalt operations have minimal direct exposure to changes in commodity prices, but the volumes of liquid asphalt cement we terminal or store are indirectly affected by commodity prices.

Recent Developments

Unitholder Approval of Amendment to Our Partnership Agreement and Related Matters

On September 14, 2011, a majority of our common units who are not affiliated with our general partner approved the following amendments to our partnership agreement:

reset (1) the minimum quarterly distribution to \$0.11 per unit per quarter from \$0.3125 per unit per quarter, (2) the first target distribution to \$0.1265 per unit per quarter from \$0.3594 per unit per quarter, (3) the second target distribution to \$0.1375 per unit per quarter from \$0.3906 per unit per quarter and (4) the third target distribution to \$0.1825 per unit per quarter from \$0.4688 per unit per quarter;

waive the cumulative common unit arrearage;

remove provisions in our partnership agreement relating to the subordinated units, including concepts such as a subordination period (and any provisions that expressly apply only during the subordination period) and common unit arrearage, in connection with the transfer to us, and our subsequent cancellation, of all of our outstanding subordinated units;

provide that distributions shall not accrue or be paid to the holders of our incentive distribution rights through the quarter ended June 30, 2013;

provide that during the period beginning on the date of the unitholder meeting and ending on June 30, 2015 (the Senior Security Restriction Period), we will not issue any class or series of partnership securities that, with respect to distributions on such partnership securities or distributions upon liquidation of our partnership, ranks senior to the common units during the Senior Security Restriction Period (Senior Securities) without the consent of the holders of at least a majority of the outstanding common units (excluding the common units held by our general partner and its affiliates and excluding any Senior Securities that are convertible into common units), subject to certain exceptions;

expand our partnership's rights to convert the Series A Preferred Units into common units; and

amend the times that the that the conversion of the Series A Preferred Units shall become effective.

Pursuant to the Global Transaction Agreement, on September 14, 2011, affiliates of Vitol and Charlesbank transferred to us all 21,538,462 of our outstanding subordinated units. In connection with the contribution of the subordinated units and the approval by our common unitholders of the proposals summarized above adopted, we entered into a Fourth Amended and Restated Agreement of Limited Partnership. The Fourth Amended and Restated Agreement of Limited Partnership, among other things, (i) give effect to the proposals summarized above and (ii) cancels our subordinated units.

For more information about these matters, please see our Current Report on Form 8-K filed with the Securities and Exchange Commission on September 14, 2011.

Table of Contents

Organizational Structure

The following diagram depicts our ownership structure prior to the rights offering.

S-10

Table of Contents

The following diagram depicts our ownership structure assuming the exercise in full of the Rights and the redemption of the Convertible Debentures and the repurchase of approximately 3.4 million Series A Preferred Units from Vitol and Charlesbank with the proceeds thereof.

- (1) Assumes that our general partner does not contribute capital to us to maintain its general partner interest in connection with this rights offering and the issuance of Series A Preferred Units in connection therewith.

Principal Executive Offices and Internet Address

Our principal executive offices are located at Two Warren Place, 6120 South Yale Avenue, Suite 500, Tulsa, Oklahoma 74136, and our telephone number is (918) 237-4000. Our website is located at <http://www.bkep.com>. We make our periodic reports and other information filed with or furnished to the SEC available, free of charge through our website as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus supplement.

Table of Contents

THE OFFERING

Issuer	Blueknight Energy Partners, L.P.
Securities Offered	We are distributing, at no charge, to the holders of our common units as of 5:00 p.m., New York City time, on September 27, 2011, the Record Date, 0.5412 transferable Rights to subscribe for Series A Preferred Units. We anticipate that the total purchase price for the securities sold in this rights offering will be approximately \$77.0 million assuming full participation. No assurances can be given, however, as to the level of participation in this rights offering.
Basic Subscription Right	<p>Each whole Right entitles the holder (including holders of Rights acquired during the subscription period) to purchase for \$6.50 in cash one Series A Preferred Unit.</p> <p>Basic Subscription Rights may only be exercised for whole Series A Preferred Units; no fractional Series A Preferred Units will be issued in this offering.</p>
Over-Subscription Right	<p>Holders of Rights will be entitled, subject to limitations, to subscribe for additional Series A Preferred Units that remain unsubscribed as a result of any unexercised Basic Subscription Rights at the same subscription price of \$6.50 per Series A Preferred Unit.</p> <p>After all Basic Subscription Rights have been fulfilled, Series A Preferred Units that remain unsubscribed for, if any, will be allocated to fulfill those Over-Subscription Rights that have been exercised. If there are sufficient Excess Preferred Units, all exercises of Over-Subscription Rights will be honored in full. If less than all Basic Subscription Rights are exercised, then Basic Subscription Rights will be fulfilled and any Excess Preferred Units will be allocated on a pro-rata basis to fulfill those Over-Subscription Rights that have been exercised. American Stock Transfer & Trust Company, LLC, the subscription agent for this rights offering, will make any prorating calculations with respect to each exercise of Over-Subscription Rights in a manner it deems reasonable and, for purposes of each such proration, will not aggregate multiple exercises of Basic Subscription Rights by the same holder. If you exercise your Rights through a broker, dealer, custodian bank or other nominee, that nominee may have different procedures with respect to aggregating exercises of rights; please contact your nominee for more information.</p> <p>If all Basic Subscription Rights are exercised in full, then no Over-Subscription Rights will be fulfilled, and any excess subscription amount received by the subscription agent will be returned, without interest, promptly after the Expiration Date for this rights offering and after all prorating calculations and reductions contemplated by the terms of this rights offering have been effected.</p>

Table of Contents

Over-Subscription Rights may only be exercised for whole Series A Preferred Units; no fractional Series A Preferred Units will be issued in this offering. The number of remaining Series A Preferred Units each holder exercising Over-Subscription Rights may acquire will be rounded to result in delivery of whole Series A Preferred Units.

Record Date 5:00 p.m., New York City time, on September 27, 2011.

Commencement Date of Subscription Period October 3, 2011.

Expiration Date of this Rights Offering 5:00 p.m., New York City time, on October 31, 2011, unless extended by us as described. Any Rights not exercised at or before the Expiration Date and time will have no value and expire without any payment to the holders of those unexercised Rights. To exercise Rights, the subscription agent must actually receive all required documents and payments before the designated time on the Expiration Date, provided that if you cannot deliver your Rights Certificate to the subscription agent on time, you may follow the guaranteed delivery procedures described under The Rights Offering Guaranteed Delivery Procedures.

Subscription Price \$6.50 per Series A Preferred Unit, payable in immediately available funds. To be effective, any payment related to the exercise of the Right must clear prior to the expiration of this rights offering.

Use of Proceeds If all of the Rights are exercised in full, we expect that the proceeds from this rights offering, after deducting our estimated expenses, will be approximately \$76.8 million. Such proceeds will be used as follows: (a) first, to redeem the Convertible Debentures in the aggregate principal amount of up to \$50 million plus accrued interest thereon that we issued to affiliates of Vitol and Charlesbank, (b) second, to repurchase, on a pro rata basis, up to a maximum of \$22 million of Series A Preferred Units from Vitol and Charlesbank at a purchase price of \$6.50 per unit plus any pro rata distribution for the quarter in which such units are repurchased and (c) thereafter, for general partnership purposes.

Transferability of Rights The Rights may be transferred or assigned during the subscription period.

If your common units are held of record by a broker, custodian bank or other nominee on your behalf, you may sell your Rights by contacting your broker, custodian bank or other nominee through which you hold your common units.

If you are a record holder of a Rights Certificate, you may transfer your Rights through the subscription agent, in which case you must deliver your properly executed Rights Certificate, with appropriate

Table of Contents